

Press release

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Deloitte Luxembourg's international Trust & Corporate Services conference Looking into the consequences of the new regulations

New regulations, such as Foreign Account Tax Compliance Act (FATCA) and Base Erosion and Profit Shifting (BEPS), are currently changing the Trust & Corporate Services (T&CS) market, bringing up new challenges. Looking into these consequences were the speakers and panelists of Deloitte Luxembourg's international Trust & Corporate Services conference, which gathered over 100 participants at the Mudam this week.

The Luxembourg Trust & Corporate Services market

The Trust & Corporate Services (T&CS) represents around €500m of turnover and around 45,000 investment vehicles and employs over 2,600 people. As a comparison, representing about 10% of the banking sector in Luxembourg, this key sector remains relatively unknown.

According to Pierre Masset, advisory and consulting partner at Deloitte Luxembourg: *"In the face of globalisation and increasing complexity of the regulations that govern clients, T&CS providers have become specialists in the incorporation, domiciliation and administrative management of companies. In that context, the T&CS players expanded their service range, focusing on higher value added services and demonstrated growth in turnover: +11.5% per year on average for the LIMSA members during the 2008-2012 period."*

New regulations, new challenges?

The proposed FATCA rules are intended to prevent U.S. taxpayers, who hold financial assets in non-U.S. financial institutions and other offshore accounts, from avoiding tax payment obligations. This goal is primarily achieved through automatic exchange of information between entities/local tax authorities and U.S. tax authorities. U.S. FATCA needs to be seen in a broader context of the international move towards a greater tax transparency supported by various existing or upcoming regulation/recommendations (OCDE, New savings directive, Common reporting standards, etc.) that will impact T&CS players in the years to come. From a T&CS player perspective, FATCA impacts are being considered at three levels: 1. corporate, 2. client, 3. investors. Compliance complexity is increased due to the cross-border nature of activities which require to consider the FATCA collaborative and country legislative framework applicable to client entities in each jurisdiction.

On the other hand, the discussions around the BEPS confirmed that it was yet too early to draw any conclusions on the actual impacts of BEPS on the T&CS sector, as the approaching G20 meeting of September 2014, might still lead to modifications of the BEPS proposal.

Nonetheless, the trend seems to encourage an actual decision centre based in Luxembourg (e.g. as risk management staff in asset management). Though considered as a threat by many,

the T&CS sector believes that this new regulation might be turned into a new opportunity so that Luxembourg would remain an attractive financial centre.

Raymond Krawczykowski, partner and tax leader at Deloitte Luxembourg, confirmed that practitioners have already anticipated possible implications and are reviewing the potential impacts on their organisation to meet expected future BEPS requirements.

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