

Vaduz, 5 May 2008

Chairman's Letter 1/2008

Meeting the taxman with a smile ...

Dear Ladies and Gentlemen

The unusually aggressive measures of various tax authorities in recent months have made headlines around the world. In some cases, authorities purchased stolen confidential client data from Liechtenstein to pursue taxpayers in their home countries. This data was then shared with other countries, some of which even published private information regarding the banking activities of individuals, many of whom were likely fully compliant with their home country tax requirements.

This type of approach from tax authorities is relatively new, and, according to many experts, not compatible with the law. As a result, the courts and other legal bodies will soon be required to rule on the legality of the measures taken by the authorities.

Many affluent persons and wealthy families are hardly amused by these reports and find the aggressive tactics of the authorities unsettling. Nevertheless, the question as to the legality of the tax authorities' methods is not the main issue here. Rather, it is important to accept that our world changes rapidly and that we continually have to reassess our own situation.

USD 5.9 Trillion of Offshore Funds

According to statistics, offshore funds total approximately USD 5.9 trillion worldwide, of which 28% (or USD 1.67 trillion) is attributed to Switzerland. Seen in a global context, the Principality of Liechtenstein plays only a minor role.

The term "offshore" does not definitively mean that the funds concerned are not correctly declared to the home country tax authorities. Nevertheless, it can be assumed that a significant proportion of such funds are to be classified as "non-declared funds".

There are many historical and current reasons beyond taxes for the existence of such meaningful amounts of undeclared funds. Some date back as far as World War II or even earlier, when parents or grandparents of today's wealth owners had to manage political risk or protect family wealth against espionage, illegal expropriation, theft of assets and other events. Today, families from a variety of countries continue to grapple with the risks of tax

systems that are corrupt and where taxpayer information is used to extort bribes and fuel the information needs of criminals involved in kidnapping and extortion.

It is time to reassess your situation

In the past, achieving fully tax compliant status was, for various reasons, often not the main objective of tax planning. Today, however, we live in a world in which transparency and compliance with the law have more significance, and the tax laws, while often very complex, are becoming increasingly clear and precise. At the same time, as detailed above, the tax authorities are showing less and less restraint in their methods of pursuing suspected tax evaders, regardless of whether the suspicion is ultimately proved to be justified. As a result, the only real choice today is to play by the tax rules of your home country, or, if these do not appear acceptable, to relocate elsewhere.

Families with undeclared funds are thus well advised to review their current situation and structures with the help of professional advisors to guarantee that their tax status is fully compliant.

Through their strong bank secrecy laws and extensive experience in the area of tax optimisation, Liechtenstein and Switzerland offer optimal conditions for affluent persons to assess their structures in a discreet environment, revise their tax planning where necessary and implement the measures required in the best interests of their families. Many countries afford attractive and sympathetic approaches to families seeking to regularize their affairs.

Privacy and Bank Secrecy

The right to privacy is anchored in the constitutions of many European countries, and there is sound reasoning behind the privacy protection and bank secrecy laws that exist not only in Liechtenstein and Switzerland, but also many other countries including the USA and Singapore. Nevertheless, the right to privacy is threatened today by technical developments, the Internet, and illegal activities. Moreover, in the quest to pursue tax evaders, the right to privacy is being increasingly undermined. The Private Wealth Council (www.privatewealthcouncil.org), which we support, examined at the beginning of this year the necessity and viability of privacy and came to the conclusion that it is a fundamental right worthy of protection. The Council will publish its findings in the June edition of its publication "Responsible Wealth Review".

Liechtenstein - Excellence in private wealth management

The Principality of Liechtenstein has a long tradition as a first-class centre for wealth management and tax planning. The internationally successful financial centre is well regulated and monitored by a modern and integrated Financial Market Authority. Various bilateral agreements in tax matters are currently under negotiation, and the foundation and tax laws are in the process of being revised. These reforms will further strengthen the Liechtenstein financial centre internationally.

The Principality is strongly committed to protecting the privacy rights of individuals and institutions in the context of wealth management, and maintaining its position as an important centre for wealth management.

Responsibility in Wealth

The roots of Kaiser Ritter Partner go back to 1931 in the Principality of Liechtenstein. Since that time, we have committed ourselves to working together with affluent individuals, families and their advisors on the basis of highly ethical, professionally and legally compliant grounds to assist them to preserve and responsibly grow their private wealth.

Our group has proven expertise in the areas of trust and estate planning, private banking and investment services. And we are aware that we can't be the specialists in every single area. That's why we complement our own competence centres with an extensive network of international business partners.

We foster holistic thinking, are well positioned to understand families in all their complexity and are very conscious of our obligations to our clients. That is why we intensively study global, long-term developments and take the time to truly understand our clients' needs in today's intricate and transparent world.

We see it as our responsibility to help clients understand the rapidly changing world they live in. With regard to undeclared funds, this means communicating to our clients the importance and value of compliant, long-term tax solutions. As a trusted partner, we can offer clients the legal and tax advantages inherent to Liechtenstein and Switzerland as well as access to our substantial network of international lawyers and tax specialists.

kaiser.ritter.partner.

You are welcome to write to me at chairmans.office@krpartner.com if you represent or advise substantial private wealth and wish to share your thoughts on these topics. We would also be pleased to send you your personal copy of the "Responsible Wealth Review" issue on the topic of "Privacy" from the Private Wealth Council.

Yours sincerely

A handwritten signature in black ink, appearing to read 'F. Kaiser', with a stylized flourish at the end.

Fritz Kaiser
Executive Chairman