

EWP & Compliance Simplifier



International Tax Planning & Compliance Simplifier—Part 1

EWP (Expanded Worldwide Planning) and Compliance Simplifier

PPLI Keeps You Out of a Spider Web Structure

For most people a spider's web is not a positive image. For this reason Expanded Worldwide Planning (EWP) uses a spider's web as a symbol of an overly complicated asset structure with multiple entities and a confusing array of boxes and arrows. In its complexity, what we call a **Spider Web Structure** might look impressive to some, but the end result is summarized in three words: overcomplication, confusion, and uncertainty. Later on we will give you a detailed description of a Spider Web Structure.

We propose an alternative asset structure that we call an EWP Structure.

At the heart of an EWP Structure is a [**Private Placement Life Insurance**](#) (PPLI) policy which was born out of the necessity to achieve greater tax efficiency, privacy, and asset protection in one low cost structure with institutional pricing. A PPLI structure is made possible through the laws and regulations of life insurance. A much more stable and straightforward body of law than the more politicized tax laws and regulations

worldwide.

FATCA and CRS

The beginning of the end for Spider Web Structures began in 2010 with the birth of the [Foreign Account Tax Compliance Act](#) (FATCA). The impetus was to stem the tide of U.S. persons using overseas accounts and assets for the purposes of tax evasion. The structure of FATCA is twofold. First, individual taxpayers must report their qualifying foreign income to the Internal Revenue Service (IRS). At the same time, the Foreign Financial Institutions (FFIs) that hold or process that income must report the identity of their qualifying U.S. clients to the United States.

Nine years later, the Organization for Economic Co-Operation and Development (OECD), at the behest of the G20 and the G8, proposed similar regulations under the name CRS, or [Common Standard on Reporting](#) and Due Diligence for Financial Account Information. In fact, some commentators, noting the similarities between the two initiatives, have dubbed CRS GATCA, or Global FATCA. Though both FATCA and CRS try to combat tax evasion, there are some notable differences between the two sets of regulations.

One of the biggest differences between FATCA and CRS is the breadth of its design. Whereas FATCA requires financial institutions to report only those customers who qualify as U.S. persons, CRS involves more than 90 countries. Under CRS, virtually all foreign investments handled by a financial institution become subject to a CRS report.

One of the ways the IRS encourages compliance with its FATCA regulations is by imposing sizable penalties over those companies who fail to report their U.S. taxpayers' list. Companies who register with the IRS agree to withhold 30% on certain U.S. payments to foreign payees if those payees do not provide verification of their taxpayer status. This puts the onus of the work of client identification and verification on the Reporting Financial Institution (RFI), not the IRS.

By contrast, the CRS does not charge a withholding tax to any of the RFIs working under its provisions.

Another strong impetus that favors EWP Structures are unexpected disclosures by the press that aim to discredit worldwide financial centers, and the asset structures that are formed in them. The unauthorized publishing of documents in the [Panama Papers and Paradise Papers](#) caused financial documents to be made public that were thought to be private.

Some good came out of these disclosures in that those who sought to illegally hide assets from tax authorities were exposed, but at the cost of discomfiting many innocent families who had their financial affairs paraded across the popular press.

These families sought to do no more than [Judge Learned Hand](#) adjudicated in 1934:

“Any one may so arrange his affairs that his taxes shall be as low as possible;

he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes." - *Gregory v. Helvering*, 69 F.2d 809, 810 (2d Cir. 1934)

EWP Structures use [life insurance](#) as the main component of their structure. Since a properly structured PPLI policy always has a risk shifting element, it definitely qualifies as a life insurance policy. Life insurance is widely recognized in almost every country worldwide as a conservative and legitimate financial planning tool, and for the most part, escapes these periodic, unwarranted intrusions into the privacy of ordinary citizens.

Complexities of Trust Reporting

When overseas holdings involve foreign trusts, things become significantly more complex. As a trustee, grantor, or beneficiary of a foreign trust, you do not want to make a mistake that could cause significant unplanned negative tax ramifications. The way in which you must report foreign trusts to the IRS varies, depending on the type of trust that's involved.

Multiple categories of trusts are available, and these categories play a role in how the IRS treats foreign trust from a tax perspective. The tax effects also depend on whether the taxpayer established the trust, serves as a trustee, or will be a beneficiary of the trust.

Based on the taxpayer's relationship to the foreign trust, the tax laws and forms that could be required include: Form 8966 (which is the FATCA Report), Form 3520, Form 5471, Form 8621, Form 8398, and FinCEN Form 114 (the FBAR).

For a PPLI policy that is owned by a foreign trust there would be reporting for the owner of the trust, but at the policy level only FinCen Form 114 and Form 8938 are currently required, and, only the total value of the assets in the PPLI policy are reported, not the individual assets themselves.

At the Heart of EWP Is PPLI

Why engage in complex trust and entity planning that just produces overcomplication, confusion, and uncertainty--yes, Spider Web Structures? You can definitely accomplish much more with a more simple and straightforward EWP Structure that uses PPLI as its core element. We invite you to inquire today to find out how we have helped families worldwide achieve privacy, tax efficiency, asset protection, and, of course, compliance simplification. [Contact Us](#) for any questions you may have.

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