



# No dog? I'd rather pay tax

One of the Tories' slogans in the recent UK general election was that dogs bark, cats meow and Labour puts up your taxes.

And, sure enough, in her first statement to the House of Commons as chancellor of the exchequer, Rachel Reeves paved the way for higher taxes when giving details of a £22bn "black hole" in the nation's finances inherited from the previous government. Some "difficult decisions" would have to be made as a result, was the way she put it.

Since then Reeves has been light on details, but practically everyone in the UK expects, among other things, capital gains tax to rise sharply at the time of the autumn budget, scheduled for the end of October. And, just as the new chancellor has difficult decisions to make, some of the wealthiest taxpayers she is likely to target are now facing some tough choices. Do they stay put and continue to enjoy the glorious British weather? Or is it perhaps time to consider an alternative?

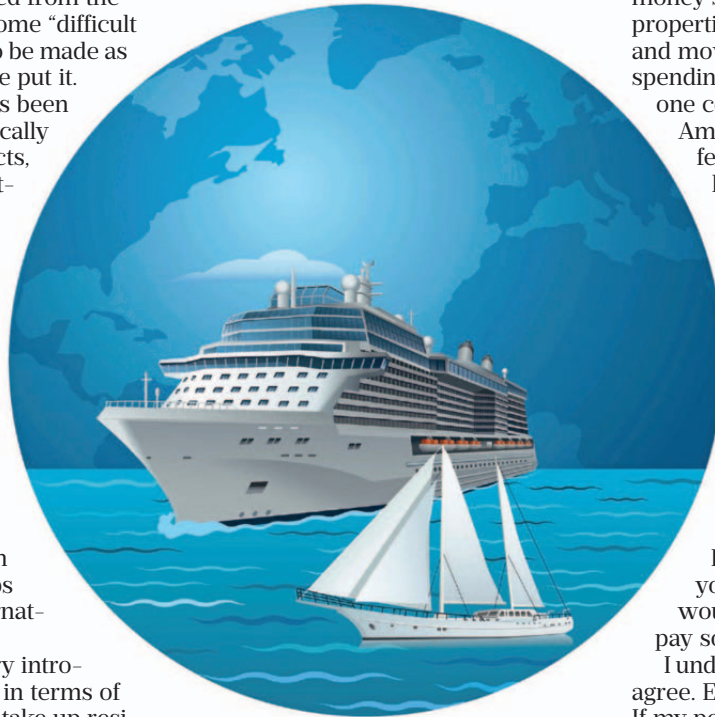
Take Italy. The country introduced a scheme in 2017 in terms of which an individual can take up residency there and be exempt from paying any tax on income (including capital gains) generated elsewhere. It comes at a fee of €200,000 per year – a pittance for the global super-rich.

What's not to like? Solve all your tax problems in one fell swoop and enjoy la dolce vita at the same time!

To each their own, I guess. I love Italy and have yet to find anywhere that rivals the combination of its magnificent scenery, climate, cuisine, viniculture

and lifestyle. But would I really want to live there, just to save some tax?

I don't think so. As the theme song from *Cheers* suggested, it's rather comforting to have a local bar where everybody knows your name. That's not going to happen any time soon if you decide to move to Amalfi or Bellagio or Capri. Not to mention the fact that I can't really converse in Italian.



## Cruising through life

There are, of course, other options. And I'm not simply referring to alternative tax havens (of which there are many). You could, for example, buy a luxury apartment on *The World*, the private residential cruise ship which is operated like a condominium complex. It circumnavigates the globe every few years (it docked in Cape Town for a few days in February).

Given that *The World* has only 165 units, there is understandably not too much turnover of property. But one of the larger homes on the ship was for sale at the beginning of 2020, priced at a mere \$14m. Bear in mind there is an additional contribution to maintenance fees, of more than \$1m annually, to consider.

*The World's* glitzy promotional video refers to its clientele as an "international community of global adventurers, each sharing a sense of wanderlust and a thirst for knowledge". They are, however, silent on the unquestionable tax benefits of living on the high seas year-round.

Alternatively, you could try what a friend of mine did when he came into money some time ago: he bought three properties in different parts of the world and moved between them, never spending more than half the year in any one country. A few months in North America, summer on the Med, festive season in the Cape. And hardly any tax (apart from the odd bit that might be withheld on investment income), as he could prove that he wasn't actually resident anywhere.

Kids' education needed to be addressed, so home-schooling it was. Perhaps most importantly, this nomadic lifestyle meant the family could never have a dog.

Move around all the time? OK. Home-schooling? Maybe. But no dog wagging its tail when you come home? My family would never forgive me ... I'd rather pay some tax.

I understand that many people won't agree. Everybody's situation is unique. If my personal balance sheet was a lot stronger (and the potential savings from moving to Tuscany a whole lot more), I might have a very different view.

But, generally speaking, I would argue that a tax problem is a pretty good one to have – it means you've made some money. Billions of people around the world would envy you for that.

Take the dividend, enjoy the gain, pay the tax. And live. ✘

Gouws is chief investment officer at Credo, London