

Warsaw, 28 March 2012

## Polish millionaires need tax advice

Warsaw, 28.03.2012 - Polish millionaires will use tax advice increasingly often. A good solution is to integrate asset management services, offered by private banking, with the availability of tax optimisation as well as legal regulations, permitting precise succession planning.

### Handing over assets to the next generations

Aging of societies is becoming a fact and a global economic concern - this trend also applies to millionaires. In Poland there is a debate under way about the new pension system. However the matters raised involve the amount of pensions of employees, not employers. Meanwhile people with above-average income - entrepreneurs, liberal professionals - must possibly effectively take care not only about sustaining their current living standard after retirement, but also about passing on their assets to successors.

In Poland the number of people, whose assets exceed a million PLN is growing dynamically. According to estimates from Deloitte consultants in 2010 there will be 126000 of them i.e. more than double the current number (50000). Also the average age of the most affluent Poles will grow. In Europe 55% of people with assets above USD 1 million are already over 55, while as many as 68% in the United States. Among 2000 customers of Millennium Private Banking with assets exceeding PLN 1 million only 13% are over 65 - this percentage will increase. The statistical millionaire in Bank Millennium is now 53.

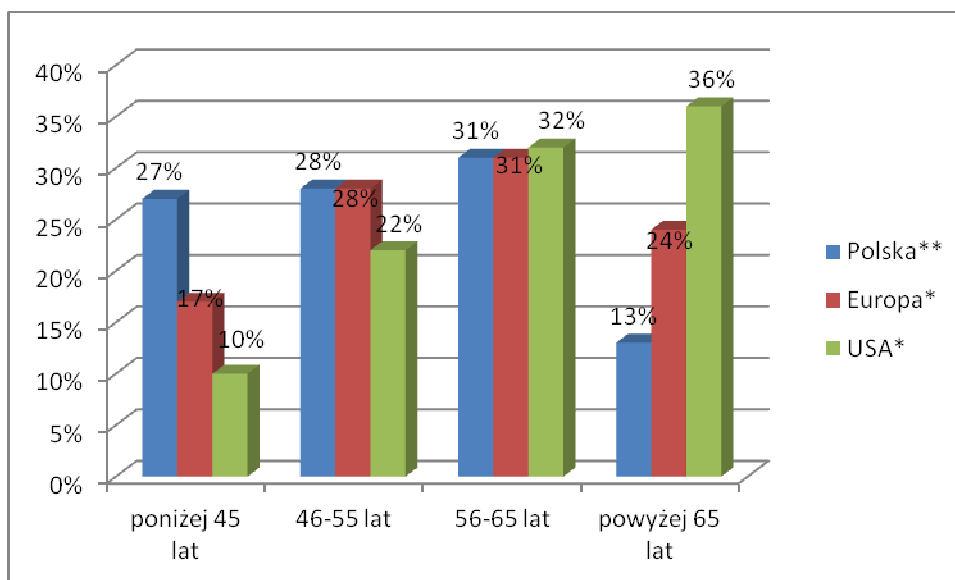


Chart: age of millionaires in Poland and worldwide; \*\* internal data of Bank Millennium, \* data from World Wealth Report 2011.

- Beyond any doubt succession planning will be increasingly important for Polish millionaires, especially those who have created larger companies or family businesses. Appropriate legal solutions for this, such as trusts or foundations,

*have been in use for a long time in developed economies. This is why in cooperation with our partner, Deloitte, we are prepared to help our customers to effectively pass on their assets to next generations - says Agnieszka Chorążewska-Wojtiuk, Director of the Bank Millennium Affluent Customers Segment.*

In Poland a significant group of millionaires are persons, who built up their wealth with a company established in the '80s or '90s, while on developed markets wealth is often passed on from generation to generation. Moreover a relatively small group of the richest people are aware that Polish inheritance law does not permit free disposal of the assets - there is the so-called compulsory inheritance as well as legitime. Meanwhile there are legal solutions, which permit assets to be passed on to heirs in a more precise and planned way.

### **Does only money matter?**

Precisely planning succession costs money. The price of the service depends on the customer's situation. As for the financial effect, this is not always of paramount importance - sometimes it is more important to divide the assets adequately between the family members or to protect the accumulated wealth from abuse.

*It must be emphasised that Polish law waives inheritance and donation tax on transfers between closest family members - direct relatives, spouses and siblings. Thus theoretically granting assets or inheriting them should not result in adverse financial implications. Nevertheless situations are possible, in which it is more important to adequately divide the assets between individual family members - explains Adam Mariuk, partner in Deloitte Tax Advisory Department - this is usually when the person has a large family, with individual members contributing variously to building the Customer's wealth. In such a situation, by resorting to appropriate legal structures, the Customer may strive to divide the assets so that the division reflects the relative's contribution to creating the wealth.*

Also possible is a situation, in which the Customer will want to dispose the assets while still living - for example to hand over the business to his/her children, personally assuming a more supervisory capacity. With such a solution Customers strive to protect themselves against a situation, in which the wealth they have accumulated during their life might be wasted through mismanagement or excessive consumption. Retirement or rather reducing the extent of professional activity at the age of fifty means that the person is still active - it is therefore necessary to combine the Customer's safety with allowing the junior members of the family to pursue their professional ambitions.

### **Tax optimisation**

In Poland the definite majority of affluent private customers are businessmen and liberal professionals. In Bank Millennium a significant part of Private Banking customers have several businesses, also abroad. The need to use the support of tax experts is especially visible among millionaires who operate in several countries, which have different legal regulations. Thanks to the cooperation with renowned consulting companies customers are provided with the support of tax advisors, legal counsellors, chartered accountants and economists.

*- For Polish millionaires who are business owners, the line between private and business assets is quite vague. Private banking must answer needs not only with respect to capital management but also tax optimisation, advising on sales plans or business development. We must also take a private-cum-business customer's unique nature into account during the process of succession planning - Agnieszka Chorążewska-Wojtiuk adds.*

Deloitte consulting, who work with Millennium Private Banking on legal solutions for the most affluent customers, estimate that approximately 50% of people decide to take long-term advice on tax optimisation and succession planning. How much does it cost? *It is difficult to answer this question. The compensation depends on the workload, the object of optimisation as well as other factors. Beyond doubt, prior to taking an optimisation decision it is a good idea to check all the costs involved as well as expected benefits. A situation, in which tax optimisation inhibits the day-to-day business activity is not welcome. Ultimately business decisions cannot be driven only and exclusively by tax gains - says Adam Mariuk.*



The approaching deadline for filing corporate income tax returns (CIT) as well as private returns, causes interest in such advice to grow in March and April. Meanwhile the best model is one with a regular relationship, permitting daily use of the know-how of independent experts. Thanks to them customers can find and implement solutions, which will optimise the amount of tax paid as well as responding immediately to any changes in legislation.

