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Nominated for the Public Eye Award 2006 in the category:

T A X E S

Nominated by: The Berne Declaration (BD), Switzerland

KENDRIS

Headquarters:	Zurich, Switzerland
Branch of trade:	“Global Wealth Management and Financial Planning”
Turnover / profit:	Established April 1, 2005
CEO:	Dr. Rudolf Roth
Owned by:	9 partners
Employees:	80
WEF-Participant 2006:	not officially enrolled

Summary

Through the utilization of numerous tax havens worldwide, KENDRIS helps wealthy individuals and their families achieve tax-free growth of assets and inheritance transfer free from estate taxes. These well-to-do clients of KENDRIS belong to the biggest profiteers of globalization. When the wealthiest individuals pay no taxes, global inequality increases. KENDRIS, established this year, was formerly known as KPMG Private. KPMG International is the winner of last year’s Public Eye Award in the category “Taxes”.

Information on the case and characteristics of irresponsible corporate behavior

The considerable assets of individuals are growing worldwide. According to the “World Wealth Report” there were 8.3 million “High Net Worth Individuals” (HNWI) in 2004. An HNWI is an individual owning at least US $1 million in financial assets, excluding real estate, art collections, race horses and yachts. In 2004 the HNWIs possessed cash assets totaling US $30,800 billion, which represents three-quarters of the worldwide gross national product (GNP). Their assets increased by 8.2% in 2004.

KENDRIS is the successor of KPMG Private, a subsidiary of KPMG Switzerland (KPMG International won the Public Eye Award in the category “Taxes” in 2005). The corporation manages the growth of the substantial assets of its clients. Tax avoidance plays an important role: KENDRIS in fact strives to “reduce the tax burden wherever possible.”

The services offered by KENDRIS include:

- The formation of trusts and companies, i.e. (mailbox) firms with tax avoidance as the objective. With the help of such constructs, patent rights can for example be placed in tax havens, whereby the bulk of profits accrue tax free. Or capital gains can be transferred from high tax countries into tax havens via holding companies.

- KENDRIS is in a position to "incorporate companies efficiently in almost any jurisdiction worldwide." These include "classic offshore jurisdictions such as the British Virgin Islands, the Channel Islands, Hong Kong, Singapore, the Isle of Man and the Bahamas."
- KENDRIS helps wealthy foreign nationals transfer their place of residence to Switzerland, and negotiates the terms of lump sum taxation with tax authorities, whereby taxes are not based on income or assets, but rather on typically much more modest living costs. IKEA founder Ingvar Kamprad takes advantage of this, as do Michael Schumacher, Tina Turner and a further 3,500 very wealthy individuals.
- Through "Estate Planning" KENDRIS helps to maneuver around estate taxes, allowing assets to be completely passed on to the next generation of HNWIs.

Consequences

The international tax avoidance services offered by KENDRIS are only available to the very wealthy and their families. "Normal workers" as well as small and mid-sized enterprises therefore must carry a higher tax burden, and consumers are also saddled with rising value added taxes. At the same time, voices from within the circles of global tax evaders suggest that the social state and public services can no longer be financed.

The HNWIs belong to the greatest profiteers of globalization. For years, their assets have grown faster than the global economy – an indicator of the redistribution of wealth from the bottom to the top. When the wealthiest individuals pay no taxes, the disparity increases.

Taxable assets exist even in the poorest developing countries. If the countries in the South had higher tax revenues, they could better provide for their populations, for example with schools and hospitals. A study by the U.N. Development Program (UNDP) showed that tax revenues in all industrialized countries amounted to 26% of their gross domestic product (GDP), with education and health care expenditures equivalent to 12% of GDP. In the poor developing countries, tax revenues amounted to only 11% of GDP, with the resulting expenditures for education and health care coming to 4%.

Current status and demands

KENDRIS should refrain from offering fiscal constructs that lack commercial substance. Income, assets and inheritance should be taxed at the relevant rates where the creation of value, generated by the assets, took place.

Detailed nomination: www.publiceye.ch/nominierungen

Further information and links:

- www.evb.ch