

# Offshore properties may face scrutiny

Gireesh Chandra Prasad

[gireesh.p@livemint.com](mailto:gireesh.p@livemint.com)

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**R**eal estate assets hidden abroad may come under scrutiny after a global framework of real-time data sharing by national authorities takes effect, marking the next frontier in governments' efforts to combat tax evasion and money laundering.

The Organisation for Economic Cooperation and Development's (OECD) report to the leaders of G20 nations at the New Delhi summit has made proposals with far-reaching implications for tax compliance related to overseas property holdings. The recommendations were made at the request of the Indian presidency.



Cross-border property holdings are rising, cautioned OECD. AFP

OECD cautioned that cross-border real estate holdings have risen, and proposed short- and long-term models for tax transparency on such assets held abroad. One of the models is the traditional data-

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sharing approach. OECD also called for a second “more novel direct access-based model”. It is based on the “interconnection of digitalized ownership registers accessible to designated relevant government agencies on a real-time basis.”

It would be based on digital infrastructure that seamlessly interconnects national registers and would include a single query portal. The framework has to have modalities for giving access to specified agencies, define the purpose of access, specify confidentiality requirements, and an international legal instrument or treaty defining the “modalities for interconnecting and accessing the registers in a cross-border setting,” the OECD report explained.

Once put into effect, this framework would take the global system of information sharing, which currently focuses more on financial holdings, to the next level.

Experts believe the OECD partly attributes the shift in investor preference from financial assets to real estate over the last decade to the automatic exchange of finan-



According to experts, the proposed model for tax transparency of real estate assets will be a great tool for ensuring tax compliance. AFP

cial information among nations, and the proposed model for tax transparency of real estate assets will be a great tool for ensuring tax compliance.

Rakesh Nangia, the chairman of Nangia Andersen India, a business advisory firm, explained that a Schedule FA introduced by the Indian government to combat tax evasion and money laundering has been a part of the income-tax return forms since FY11-12.

“Under this schedule, tax-

payers (ordinary residents) are required to disclose their foreign assets and income.

The OECD report noticed that tax authorities lack visi-

bility into the foreign real estate holdings of their residents. With the data being available, tax authorities would start comparing the declarations made in the tax returns with the

data of real estate holdings, and a mismatch would invite further investigation,” explained Nangia.

Also, real-time information

retrieval would allow tax authorities to search for data as and when required and not wait for periodic exchange of information, Nangia said.

According to Amit Maheshwari, tax partner at AKM Global, a tax and consulting firm, the concrete proposals made by OECD for countries to adopt will lead to increased visibility on cross-border real estate transactions that have the potential to benefit not only tax administrations but also other regulatory, anti-money laundering and law enforcement authorities.

Maheshwari also said it is worth noting that investor behaviour varies significantly depending on the specific details of the real-time information-sharing system, the level of transparency in each country and how well investors adapt to the new regulatory landscape.

Overall, the implementation of such recommendations is likely to promote greater accountability and compliance among investors holding overseas real estate assets. However, investors may become more cautious about non-disclosure of real estate assets or income in offshore accounts.

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