

KROMANN
REUMERT

IAP 2025 MUNICH

Case study in
The splendors of living abroad

AGENDA

1. Introduction

2. Facts

3. Themes

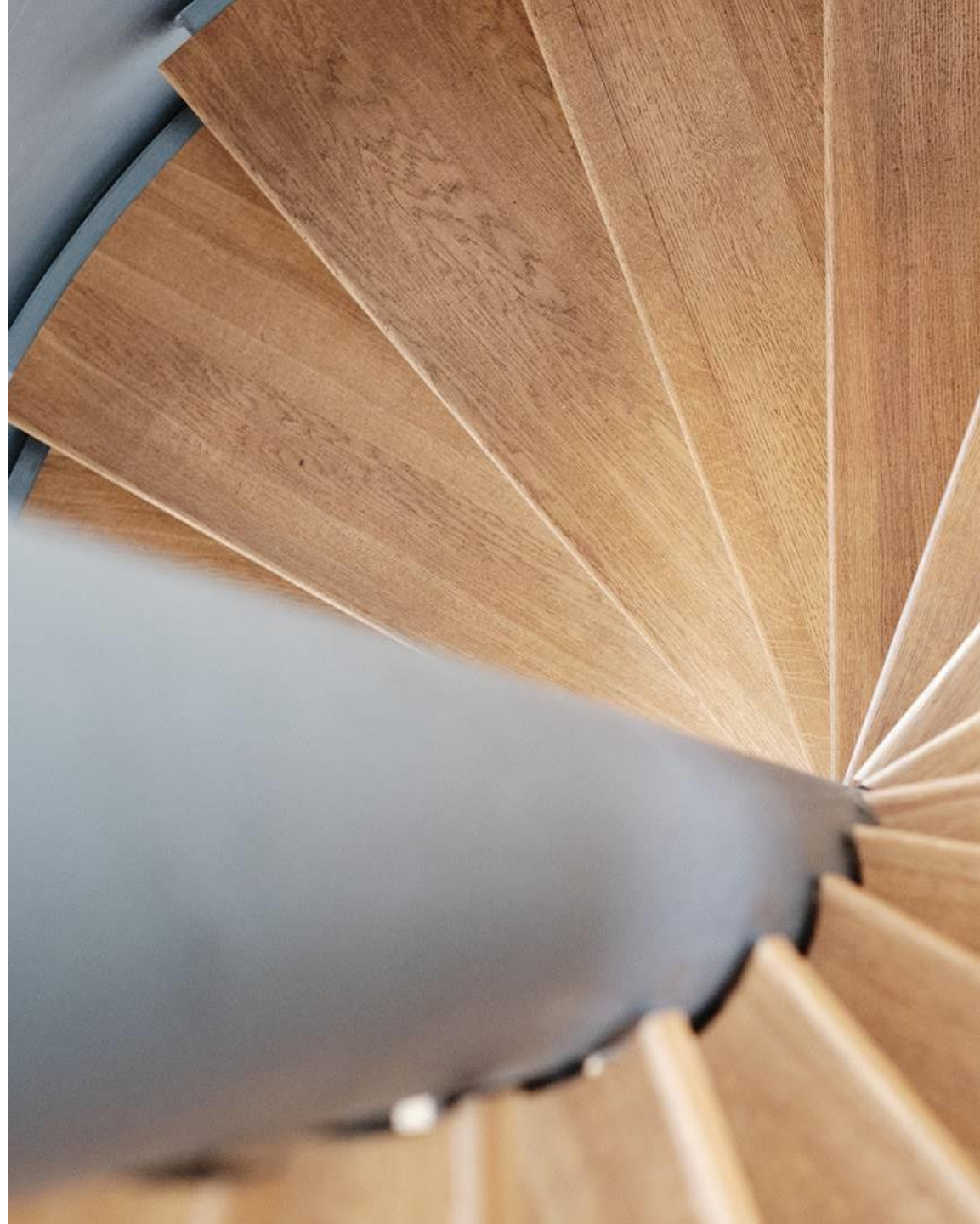
- ❖ Probate – the principles of unity and universality
- ❖ Trusts – recognition as separate taxable entity
- ❖ Inheritance tax – worldwide assets

4. What we did

5. What would others do?

- ❖ Italian perspective
- ❖ Swiss perspective
- ❖ Swedish perspective

6. Comments, other perspectives



FACTS | Individuals and assets



The deceased

- Danish national, born in 1937
- Passed away in 2023
- Lived abroad with his spouse for shorter periods from 1961-2017
- Danish tax resident at time of death



Son

- Joint heir of the deceased and his spouse
- Danish tax resident



Daughter

- Joint heir of the deceased and his spouse
- Italian tax resident



Trust

- Trust in Singapore with unlisted shares in limited company in Cayman Islands as the trust's main assets



Limited Company

- Cayman Island limited company

FACTS | The trust



TRUST DEED



INCORPORATION

The trust was incorporated by a trust deed between the deceased and the trustee 5 years prior to the deceased's relocation to Denmark.



BENEFICIARIES

"The Beneficiaries of this Settlement are: [the deceased/settlor]; [the spouse of the deceased]; [the children of the deceased] ..."



REVOCABILITY

"[...] this Settlement may be revoked [...] at any time by Deed executed by the Settlor and delivered to the Trustee whereupon the Trustees shall hold the [funds] [...] for the Settlor"



ADMINISTRATIVE POWERS OF SETTLOR

The settlor can remove the trustee, and appoint one or more other persons to be a trustee in place of any trustee who wishes to withdraw or is removed

DISSOLUTION OF TRUST

RELEASE OF ASSETS

The assets of the trust was transferred directly to the beneficiaries (the son and daughter of the deceased).

TIMING

The Deed of Release was signed after the time of death and before grant of probate

NO INVOLVEMENT

The executor in the Danish estate was not involved in the release of the assets of the trust.



THEMES



Probate

- ❖ The principles of unity and universality
- ❖ The "principle of unity" implies that probate should only ever be granted in one state
- ❖ The "principle of universality" implies that probate should comprise all assets and liabilities regardless of their location



Singapore trust

- ❖ Recognition as separate taxable entity
- ❖ Definitive and effective separation of assets
- ❖ CFC taxation



Inheritance tax

- ❖ Global application – inheritance tax is levied on all assets regardless of their location
- ❖ The relevance of the residence or domicile of the recipient(s) of the inheritance

PROBATE

What we did



Principle of unity and universality

The deceased resided in Denmark at the time of death and his estate was therefore subject to the jurisdiction of the Danish probate court. As a result, the Singapore trust was subject to Danish probate under the Administration of Estates of Deceased Persons Act



Access to the Singapore trust

The trustee in Singapore did not recognize Danish probate with respect to the Singapore trust, including the appointment and authority of the executor



Grant of probate

In order to gain insight into the trust documents and secure the funds of the trust, an application for grant of probate in Singapore was submitted and eventually granted



Release of the assets

Before obtaining grant of probate, the assets were released directly to the heirs without the involvement of the executor.



SINGAPORE TRUST

What we did



Trusts under Danish law

Foreign trusts are as a starting point not recognized under Danish law



Taxable entity

Recognition of a foreign trust as a separate taxable entity requires that the assets transferred by the settlor to the trust are definitively and effectively separated from the settlor's assets. If not, the trust's assets will be deemed to still be part of the settlor's assets with the effect that income from these assets should be included in the settlor's taxable income



Separation of assets

The trust was not recognized by the estate and the trust's assets were considered assets of the deceased



CFC taxation

The deceased was deemed the owner of the Cayman Island limited company held by the trust. As a result, the deceased's CFC income was taxed at the corporate tax rate of 22%



INHERITANCE TAX

What we did



Global applicability

Danish inheritance tax is levied on the deceased's worldwide assets as the deceased resided in Denmark



Assets outside the control of the estate

Assets which are released directly to the heirs outside of the estate's control are (still) subject to Danish inheritance tax



Rates

Basic inheritance tax rate of 15 % (subject to a deductible of EUR 46,349)

Additional inheritance tax rate of 25 % (effective tax rate of 36.25% on gross inheritance amount)



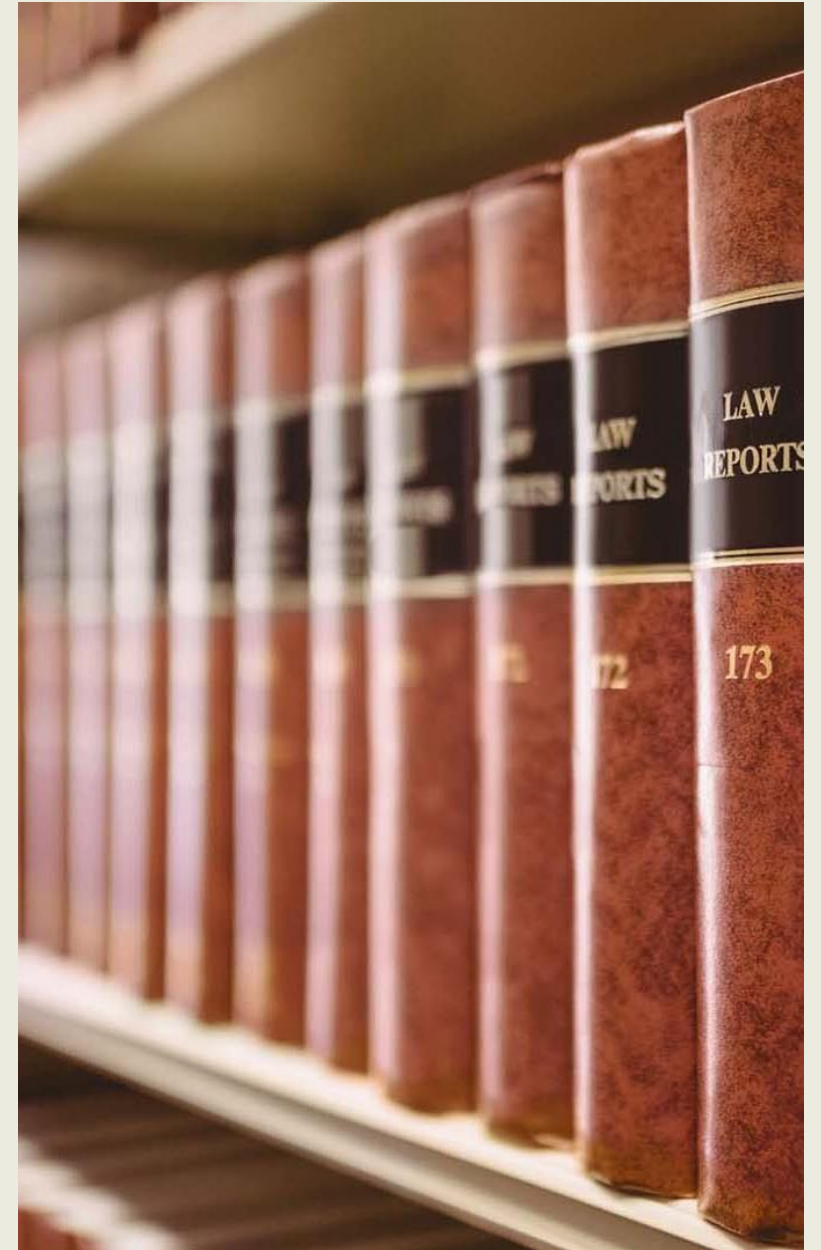
Credit

Inheritance tax paid in other jurisdictions with respect to assets located there can be deducted from inheritance tax payable in Denmark, subject to a cap of 15%



What would you do?

- Italian perspective (Alessandro)
 - Swiss perspective (Florence)
 - Swedish perspective (Axel)
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[slides from Alessandro, Florence and Axel, if applicable]