

INTERVIEW: The Exodus Of HNW Greeks - A Lawyer's View On Trends, Challenges

Tom Burroughes, Group Editor , London, 13 January 2016



One of the most prominent legal figures in Greece, who has also been involved in government, gives his views on trends such as the move by wealthy Greeks out of the country.

Recent years have propelled Greece into the limelight for reasons that many citizens of that country would have wished don't exist. Unsustainable debt and the risk of Greece being ejected from the eurozone prompted some Greeks to flee the country for supposedly more stable economies. Authorities in the country have, inevitably, made a priority of raising revenue in a country notorious for lax approaches to complying with tax laws. At the same time, Greece's travails are also a reminder of how a large number of Greeks, many of them wealthy individuals with substantial business connections in sectors such as shipping, live overseas. And a large, affluent Greek middle class exists.

*With all this in mind, WealthBriefing recently interviewed Dimitris Paraskevas, of **Paraskevas Law**. That firm was originally founded in 1933. Among other work, it has acted for a top-10 shipping group worldwide on the largest money laundering case in Greece; it has advised an ultra-high net worth individual with regard to a complex set of more than 35 interrelated multi-million-dollar court claims. The firm also has acted for a mass of corporates in various disputes, as well as advised on M&A deals, restructurings, financings and capital-raising.*

Paraskevas is a Greek Supreme Court attorney. Prior to his current role, he served as the secretary for privatisation of the Ministry of Development. He is chairman of the Elias Paraskevas charitable foundation, the European liaison officer of the banking committee of the International Bar Association, and sits on the boards of various companies and charitable organisations, including the Hellenic Association of Law Firms.

What would you say is the largest challenge for wealth managers/lawyers advising Greeks who already live outside Greece, or wish to do so, and why?

When a Greek national is a resident outside Greece, there is a risk that the Greek authorities may challenge the taxpayer's residency and try to establish ties between the taxpayer and Greece. If the authorities are successful it would mean that the national in question would have to pay taxes in Greece, potentially for the entire period that he/she has been out of Greece.

For example, a Greek national could claim to have departed Greece three years ago, but the authorities, after an investigation, may challenge this claim and tax this person for three years as a tax resident of Greece. In this case, the individual will have to pay said taxes and penalties in Greece, or challenge the decision before the Greek courts.

In addition, there is always a risk that additional taxes could be imposed for past financial years (namely the period that the taxpayer was a tax resident of Greece) if authorities consider that more taxes should have been paid or - in very limited cases - there is a new tax with retroactive effect.

The above applies for Greeks that have left Greece, let's say in the past ten years, as opposed to second generation Greeks in countries where there are large Greek communities (e.g. the US, Canada, Germany, Australia and the UK).

Are there any specific tax laws, or tax compliance efforts by the Greek government, that you would site as particularly important over the past five years?

It is not so much the new laws, although they are many, too many actually, but the increased efforts of the Greek tax mechanism and the Greek governments to do their job properly - a result of the pressure received from the EU, especially Germany. More audits have taken place and authorities are much better equipped and determined for the law to be respected. Several people have gone to jail for not paying their taxes.

You mentioned the liabilities that advisors face in advising people where the latter might be dishonest or have problems. How big a barrier is such professional liability in giving advice to those who need it?

Greek advisors in general do not understand that they are liable for what they advise their clients. It is the same with the taxpayers who don't understand that something can happen to them if they don't pay their taxes. In recent years, it is not only principals but also advisors that have been faced with the law, and some face the possibility of jail for tax evasion themselves.

The risk is that the authorities - and this is an international rather than a Greek development - go overboard in the sense that: a) tax avoidance and tax evasion are treated as the same thing, which they are not and b) the relationship between a principal and his/her advisor is one of trust and confidentiality, but the advisor is to advise and the principal to decide.

We have not seen a major change in Greece but I understand that in France big firms have started to consider whether providing tax advice is sensible, given the new risks for advisors.

Can you name your four or five most favoured domiciles for Greeks and give a quick reason in each case?

The three best places in Europe are the UK, Switzerland and Monaco and, recently, Portugal and Cyprus. Further away, there are places in the US, the Caribbean, Middle and Far East (Singapore, Hong Kong) that are also considered. There is not one reason but many: good and reasonable legal and tax systems and quality of life are what people need in order to decide to leave their home country. Whichever country overtaxed its citizens historically managed to collect less and lose its best talent.

Many expats may yearn to return to their homelands eventually - how do you manage expectations of clients whether this is realistic or not?

In Greece we say "hope dies last" (in Latin it is "Dum Spiro Spero" - as long as I breathe I hope) and it is true that many people want to return to their home country. Sweden and Poland have managed to attract their nationals to return simply because they have addressed the issues that made them leave in the first place. Sweden has become a reasonable jurisdiction as far as taxes are concerned, and Poland has achieved the necessary economic growth for people to be able to live well there.

In the case of Greece, given the beauty and the good weather, people want to go back. Life is easier and less expensive than, for example, in the UK, but we are still to address the major problems of the country, which include lack of competitiveness and low quality of politicians. In my opinion, it will take time before Greeks can safely return. People these days are smart and they see the reality, so the advisor is more like a friend who simply confirms what they see themselves.

Are there any figures you know of the collective wealth of expat Greeks, and the shipping families in particular?

Given that Greeks have been living outside Greece for centuries, and our strong presence in shipping, trading and real estate, it is very difficult to say. No study I know of has recorded the consolidated Greek wealth outside Greece.

According to *Forbes*, there are six Greek billionaires living in the US, and three in Europe. But in my opinion there are many more billionaires than that, maybe 30-40 or even more. According to published data, €107 billion left the Greek banking system during the crisis, along with around 492,000 Greeks. A rough guess is that the total wealth of Greeks of the diaspora amounts to at least €300 billion. This is based on the fact that before the crisis there was about €250 billion in the Greek banking system, so and I would assume that an equal amount was Greek money overseas (controlled by Greeks of Greece, mostly ship-owners or of the so called diaspora).

Details: how would you charge clients for advice? What sort of business model you have?

Like all international firms we charge for our services mostly by the hour. When we can and are asked to do so, we charge flat fees or provide estimates and/or caps. Our business model is very simple and it resembles the business model that was followed by Singapore in order to compete. We are small, like Singapore, and we have powerhouses to compete with, so we try to be better, work harder, always be available and provide sound commercial advice with integrity. As far as clients are concerned, we target the international law firms and the intermediaries. We have a solid market share in this business as we only provide Greek legal advice, meaning that we are not competitors. Further, we always provide a better service when together with UK/US international law firms. It's like playing tennis with an instructor.

There are many practitioners in these huge firms that have dealt with the same issues in many jurisdictions so know what to ask, what to receive, when and how much it would cost. As a result, we never have disagreements over fees, etc. In addition, we address the ultra-high net worth individual - particularly the billionaires of this world - and we are well qualified to add value to them, as we deal with the same challenges: investments for growth or preservation of wealth, structuring of assets, art collecting or philanthropy.

Where are you looking to expand or change your business?

There is a huge potential for us given that we are small and the market is huge. We will continue to focus on always improving the quality of our service to the most sophisticated clients. This is what a law firm is about. There are many other ways to make money but one has to take greater risk than by investing in a law firm. And in any event, a lawyer is a lawyer, like a tailor is a tailor. We are here to provide the best service to as many clients as possible.

Why do you like working in this part of the legal world - what do you enjoy most about it and what do you enjoy least about it?

Being a lawyer is great but, of course, as challenging as being a professional in any other industry. It is a competitive world. I could see myself as a human rights lawyer or a criminal specialist but doing what I do is as civilised and well paid as possible. Thus, the risk/reward makes sense to me. What I enjoy the most is working with the best law firms in the world - we are part of an intellectual elite. What I least like is when young associates of international law firms assume that things in all jurisdictions work the same way, or they have unreasonable requests based on the assumption that "they can get away with murder" in less developed jurisdictions. We say "a client is always right", so we deal with these challenges when they arise.

If there is one law facing Greeks at present you could change, what would it be?

There are many, but perhaps introducing a tax code prepared by the best in the world that would regulate everything in a simple, reasonable and stable manner would be the best service to our country.