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For discussion

B.8 Recording Citizenship-by-Investment Programs: Outcome of the Public Consultation

Prepared by the Balance of Payments Task Team (BPTT)

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B.8 Recording Citizenship-by-Investment Programs: Outcome of the Public Consultation¹

The public consultation reveals general consensus for providing explicit guidance on how to record Citizenship-by-Investment (CBI) programs in the update of the manuals. A slightly higher majority of respondents supported that the guidance should be by convention and not based on general guidance to allow for uniform treatment across economies. Out of the three alternatives proposed, there were broadly similar opinions in favor of Option 1 (taxes) and Option 3 (transfers), mostly associated with whether respondents considering these payments as either compulsory or voluntary. Opinions in favor of the treatment as taxes considered them closer to current (instead of capital) payments, not having any counterpart (e.g., ownership rights on real or financial assets). Those in favor of treating them as transfers equally slightly preferred to consider them as current rather than capital transfers. From a practical perspective, the importance of a comprehensive guidance on all types of CBI programs and a consistent treatment with the government finance statistics and national accounts was emphasized.

This Guidance Note (GN) is proposed to be considered by the Committee for final decision.

1. **The public consultation² revealed majority agreement for the provision of explicit guidance on how to record Citizenship by Investment (CBI) programs in the update of the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*.** The current manuals do not describe CBI programs and are not explicit in the recommendations on their recording.
2. **Views with respect to the provision of guidance were split, yet with strong support for a uniform treatment within the next version of the Balance of Payments Manual.** Uniform treatment is perceived as important for compilers with a view to enabling international cross-country comparable statistics and avoiding bilateral inconsistencies.
3. **Out of the three options presented, opinions were broadly split between Option 1 (taxes) and Option 3 (transfers).** The support for taxes was linked to the perception that these non-refundable contributions are compulsory payments if applicants want to obtain the passport/citizenship. These contributions under CBI programs can reasonably be viewed as out of proportion to the cost of issuance and only entailing little or cursory work on the part of the government. The inclination for current (as opposed to capital) taxes was mostly associated with the nature of the tax, which is closer to current payments without a counterpart. It was recognized that recording these payments as taxes should be fully consistent with government finance statistics (GFS) as well as with national accounts.
4. **Respondents who weighed in for transfers, also slightly favored current rather than capital transfers.** The arguments supporting transfers were based on the non-compulsory nature of these transactions, as they are just based on the applicants' choice to acquire citizenship.

¹ Prepared by Ms. Padma S. Hurree-Gobin and Mr. Venkat Josyula, both BPTT Secretariat.

² Eighteen responses. See detailed results in Annex.

Annex. Summary Results of the Public Consultation

1. Do you see a need to provide explicit guidance on how to record Citizenship-by-Investment (CBI) programs in the updated manual?

Yes	No
94%	6%

2. If there is a need to provide explicit guidance, do you consider the guidance to be:

By <u>convention</u> as outlined in the GN	On <u>existing general principle</u> enough for compilers to determine the proper treatment of CBI programs based on an assessment of the economic nature of the specific programs.
53%	47%

3. How should the nonrefundable contributions under CBI programs be treated?

Taxes (53%)		Transfers (47%)	
<i>Current</i>	<i>Capital</i>	<i>Current</i>	<i>Capital</i>
87.5%	12.5%	57%	43%