

EXODUS MIGRATION

Worldwide Options for Citizenship and Residence through Investment¹

What do Malta, Portugal, Grenada, Greece and Antigua have in common? They are all popular destinations for high-net-worth individuals (HNWI) from the US who wish to obtain citizenship or residence status in another country.

This article is not about US citizens who wish to expatriate, often for tax reasons, and often with significant tax ramifications. Rather, this article is about HNWIs who wish to retain their US citizenship but have another country where they can go whenever they wish or whenever they need to. This is often called investment migration. Our business, Exodus Migration, was created to assist these individuals with the often-perplexing options that exist.

So how does someone go about obtaining citizenship or residence in another country? There are generally two options - - investment or descent. Descent involves obtaining citizenship because of citizenship of a parent or grandparent. Investment may mean a donation to a country or an investment in real estate or other project in a country.

It is important that our clients understand the difference between citizenship and residence. Citizenship entails obtaining another country's passport, which is usually permanent. Residence involves obtaining a status, such as a US green card, that enables someone to live in the country as much as they want. Sometimes residence requires a certain minimum amount of time spent in the country. Residence is usually renewable, but not always.

The next issue is the nature and amount of the required investment. This varies greatly from as little as \$200,000 to well over \$1 million. The lesser investment amounts tend to be for obtaining citizenship in one of the Caribbean islands. The investment may in some cases be a donation with no expectation of return. More often, it is an investment in a business or real estate project in the target country.

Another important consideration that often has a predominate impact on the choice of country is how many family members can obtain citizenship or residence with the principal investor. Again, this varies greatly country by country. In some cases, it may be limited to spouse and minor children. In other countries, parents can be included. In some

¹ This article was prepared by Exodus Migration, LLC. Exodus Migration, LLC was founded by two well known, experienced and Chambers-rated US immigration attorneys, H. Ronald Klasko and Tammy Fox-Isicoff. Ron is the founding partner of Klasko Immigration Law Partners, LLC, one of the largest immigration law firms in the world; Tammy is a named partner in the highly regarded Miami law firm Rifkin & Fox-Isicoff.

countries, dependent children even of an advanced age can be included. In some countries children can be included even if they are married; not in other countries.

Another consideration, sometimes the key consideration for HNWIs, is travel. There are two aspects to the travel issue. Many of the most popular countries offer visa free travel to over 125 countries in the world, including many countries for which US citizens require visas. This is a significant benefit for world travelers. Another issue is that some world travelers prefer not to use a US passport when traveling to certain countries.

For some of our clients, the main driver is not economic, but fear. The fear may be generated by political considerations, religious considerations or other motivating factors. For these individuals, the country of choice is more of a safe haven to be used at the event of a contingency rather than a place of planned residence. For this group of individuals, a country that does not require any minimum residence is a key factor.

In reviewing options with clients, Exodus Migration also discusses individualized issues that may be of concern to a particular client. How important is healthcare? How important is distance from the United States and availability of nonstop flights from the US? How important are places of worship of the client's denomination? How important are the politics and stability of the country? How important are issues of frequency and certainty of renewal or extension of residence status? How important are tax considerations?

Speaking of tax considerations, generally that is not the deciding factor for this group of our clients. Although tax advice is beyond the scope of this article, generally adding additional passports or residences does not impact US tax considerations, but tax considerations are to be navigated. United States citizens are subject to United States federal income tax on a worldwide basis, no matter where they reside. Having an additional citizenship or residency will not change that basic and fundamental aspect of US citizenship. Almost all countries impose taxation based on residence in that country, not citizenship. Residency for immigration purposes may not necessarily coincide with tax residency. Some chosen countries will impose a tax on worldwide income and some will only impose a tax for activities that occur within that country. In general, either with the use of foreign tax credits or tax treaties, a US citizen with a tax nexus to another country will not face double taxation. However, if the chosen country has a higher tax rate, additional tax may have to be paid. Also, there can be mismatches in the way that a particular type of income or gain is taxed.

With proper advice, US citizens should be able to acquire additional passports or residences on a tax-neutral basis. This is particularly the case if the US citizen limits their financial, investment and banking activity in the chosen country.

Exodus Migration assists clients in working through this maze of options and choosing the country that is optimal for their personal needs and desires.¹