

## ECONOMIC CITIZENSHIP

# The Global Citizen – The Wealth Management Opportunity



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**For wealthy and international individuals and families, business owners and investors, today's globalised world offers tremendous opportunity to optimise personal and business planning.**

This includes increased international freedom of travel, tax and estate planning, and diversification on both a business and personal level by having multiple residences or citizenships.

Residence or citizenship in an alternative country of course means different things to different people. For entrepreneurs, it means further business opportunities, for international investors, new opportunities to diversify not only their assets but also their lifestyle options and family ties geographically. Combining these strategies with tax optimisation and other benefits, these wealthy individuals and families with a global outlook are becoming a privileged new class of global citizens.

Depending on your current situation, an alternative residence may also mean greater personal flexibility, a better quality of life for your family, a good education for your children, and a safe haven in times of political instability.

In view of the increasingly aggressive fiscal and regulatory environment in some otherwise reasonably stable, high-tax countries such as Canada, France, Germany, the Netherlands, the UK, the US and others, a move of residence to a country with a milder tax regime is an attractive option for many who feel they have to pay more than their fair share,

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and who do not like the constant erosion of their privacy.

Moreover, following a change of residence you may also enjoy more privacy in banking and investment as many reporting and exchange of information agreements are based on (tax) residence.

In Germany, for example, the Government has direct access to all bank accounts of all taxpayers. Whenever there is access to information, such information is prone to leaks. The only way to avoid this is to move your residence to another country with a less invasive environment, providing more personal privacy.

In the US the erosion of privacy has gone even further, and, particularly for investors with international exposure, tax planning can become very complicated and very expensive. In many other countries, rules and regulations are mushrooming and the legal environment is becoming increasingly vague, leaving lots of room for interpretation by the authorities and thereby leaving you vulnerable.

Taxation is, however, not the only reason an increasing number of Americans are giving up their US citizenship or terminating long-term US residence, although it is something

occasionally considered by wealthy individuals who are already living abroad or plan to do so permanently.

Unlike citizens of France, Germany, Switzerland, the UK and other countries, US citizens remain almost fully subject to US income and death taxes even if they never intend to return to live in America. Despite tax treaties, they are often subject to at least some double taxation. The advent of FATCA makes this even more relevant, because FATCA increasingly makes life difficult for US citizens abroad, as many financial institutions simply refuse to deal with US citizens or US green card holders because the compliance requirements are too onerous.

But what is becoming more important is the fact that citizenship and a passport from a small, peaceful country can save your life when travelling in times of political unrest, civil war, terrorism, and other difficult situations. Many international and high net worth individuals, and not least many US citizens, consider an alternative passport as the best life insurance money can buy.

In recent years, an increasing number of internationally forward-thinking entrepreneurs and investors have specifically acquired one or more

additional citizenships to diversify their personal exposure. They realize that not only their investment portfolio, but also their residence and citizenship portfolio, needs to be diversified to reduce risk and to preserve independence.

Below, we consider four of the world's top destinations for such wealthy people to establish a safe second residence or attain a second citizenship: Malta, Antigua and Barbuda, the UK and Portugal.

## Malta

The Malta Individual Investor Programme (IIP)<sup>1</sup> is the most modern citizenship-by-investment program in the world. It is aimed at ultra-high net worth individuals and families worldwide. It offers citizenship in an EU Member State that is stable, neutral and highly respected, and the world's strictest due diligence standards, thus ensuring only highly respectable clients will be admitted.

The IIP requires an investor to make an economic contribution to the country and, subject to very thorough application conditions, the applicants and their families are granted full citizenship in exchange. The minimum contribution requirement is €650,000 for a sole applicant, and other obligations include purchase or rental of a residential property in Malta for at least five years, and a prescribed investment of €150,000.

The application process for the IIP is very efficient. Successful applicants gain visa-free travel to more than 160 countries in the world, including the US, and EU citizenship gives right of establishment in all 28 EU countries and Switzerland.

## Antigua and Barbuda

The Antigua and Barbuda Citizenship-by-Investment Program<sup>2</sup> requires an investor to make a significant

*1 The Malta Individual Investor Programme was designed and implemented by Henley & Partners on behalf of the Maltese Government last year.*

*2 The Antigua and Barbuda Citizenship by Investment Programme was also designed by Henley & Partners, under a mandate given to the firm by the Government to create a "state-of-the-art" program.*

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economic contribution to the country and in exchange, the applicants and their families gain full citizenship and passports. As with all citizenship programs, there are strict qualifying and due diligence standards to be met.

There are three investment options: a contribution to the National Development Fund of a minimum non-refundable amount of US\$250,000 (for a single applicant); an investment of at least US\$400,000 into an approved real estate project; or an investment of a minimum of US\$1,500,000 directly into an eligible business.

An Antigua and Barbuda passport gives its holders visa free travel to more than 130 countries, including Canada, Hong Kong, Singapore, South Africa, the UK and Europe and the Schengen Area.

## The UK

From a tax perspective, it can be an attractive base for high net worth individuals and families taking advantage of the special tax treatment available to those who are resident but not domiciled in the UK.

The UK's Tier 1 Investor program is aimed at attracting high net worth individuals to make a substantial investment in the UK. Currently, the investor must invest a minimum of £1 million. It offers the fastest Investor Immigration application processing amongst the G8 countries, and the entry criteria is very objective, leading to a predictable outcome.

There are no additional qualifying requirements for the initial application and the applicant is not required to show business experience or the ability to speak English. The initial visa is valid for three years and investors and their families may work and study in the UK. After five years of residence, they may apply for permanent settlement and may be eligible for citizenship if all relevant requirements have been fulfilled.

## Portugal

Portugal has produced streamlined legislation to create an efficient process by which non EU residents may obtain a residence permit based on investment. The Golden Residence Permit Program is a five year investment-based residence process for non EU nationals. The residence permit allows free circulation in the Schengen Zone of 26 states and only requires an average of seven days per year stay in Portugal over this period, which can also count towards citizenship eligibility after six years. The application process is fast and efficient and a single process-motivated visit is feasible<sup>3</sup>.

There are three qualifying investment routes: the acquisition of real estate with a minimum value of €500,000; the transfer of capital with a minimum value of €1 million; or the creation of at least 10 new jobs registered with the social security department.

Income derived from a foreign source and relating to employment income, pension income and business and professional income can be subject to exemption. Portugal does not apply a wealth tax. There is no tax on gifts or inheritances between parents, children and grandchildren. **IFC**

## About the author

*Dominik Zunkovic is the Manager of the Henley & Partners office in Dubai, UAE, with responsibility for the Middle East operations. Originally from Slovenia and before moving to Dubai, he worked as a management consultant in the alternative energy industry. His international background and education gives him a deep understanding of today's globalized world and business environment, which is essential in finding the most advantageous residence and/or citizenship solutions for his clients.*

*3 The Gold Residency Permit Program in Portugal was also designed by Henley & Partners.*