

The Grass Is Greener...

Many people have the dream of retiring to an exotic tropical island, never again to suffer through a long and cold winter. Of course, the fact that most of these locations offer significant tax advantages can't hurt. However, like anything in life, you're not going to get the great new lifestyle without making a few sacrifices.

Are you accustomed to your telephone line working all the time? Get ready, because if you move offshore, that's about to change. Do you like the low cost and wide selection at your local grocery store? Prepare to get a bit closer to the "best before" date than you have in the past. Want the latest in fashions, books, music, and movies? Then pack your bags, because you'll be flying to the nearest city, instead of driving to the nearest store.

Then again, it's not all that bad – forget about snow tires, snow shovels, parkas, mitts, and winter boots. You can also forget about a big tax bill at the end of the year, as most offshore havens don't tax income, capital gains, interest, or dividends. And there's something to be said about the slower pace that is common in most countries located in the warmer climates.

Many of the offshore centers have created special residency and citizenship programs catering specifically to those living in the "high tax" world. Of course, these programs are not without a cost, although the cost may end up being significantly lower than the financial burden you'll face in Canada or the U.S. There are also specific legal issues that you should consider before making the move.

What follows is a country by country overview of some of the best places in the world that you might consider for residency or retirement. Not all of these countries have a special citizenship program in place, although there is information provided on the ones that do.

Anguilla

Located in the Leeward Islands area of the Caribbean, Anguilla is a small island home to about 8,000 people. There is no income tax, capital gains tax, gift tax, or estate tax in Anguilla. Historically, Anguilla has always been a no-tax jurisdiction with no personal or corporate taxation.

It's safe to go out at night in Anguilla. The residents are friendly, and they treat foreigners well. However, the tiny country is relatively isolated – you can't easily get there, and sometimes it is difficult and expensive to get on and off the island. It's a great place to be if you want to be "lost to the world."

Antigua

Not too far away from Anguilla is Antigua, a larger island home to over 65,000 people. St. John's is the busy town center, bustling with activity. Antigua has no personal income tax, capital gains tax, personal inheritance tax, or gift tax, except for duties charged by Customs on certain gifts imported.

Antigua is also very safe, with plenty of outdoor activities. Like Anguilla, Antigua is also somewhat isolated, with infrequent and indirect flights to the world's major centers. Although there is a small population of ex-pat Canadians and Americans, Antigua is more of a vacation destination, and less of a residence/retirement haven.

Bahamas

Busy Bahamas, the land of beauty and promise, and the land of crazy politics and bureaucratic bungling. An archipelago of approximately 700 islands and 2,500 cays stretching from 60 miles east of Palm Beach Florida nearly to the Turks & Caicos Islands, over 500 miles away. The population of approximately 350,000 enjoy a semi-tropical climate with temperatures averaging 85°F in summer and 73°F in winter.

There are no personal income taxes, capital gains taxes, gift or distribution taxes, estate, probate, or inheritance taxes. The government derives its income from tourism, import and stamp duties, and license fees on companies.

Nassau and Freeport are the hubs of commerce, with plenty of fine dining and prices to match. You can apply to become a permanent resident of the Bahamas at any time, and you can also apply for a work permit, with the cost depending on the job category – a farm worker will pay \$300, while a company president will pay \$7500, all prices in U.S. dollars of course.

If you buy property for \$500,000 (up from \$250,000 a few years ago) you can apply for permanent residency status without going through all the red tape. A simple annual residence certificate may be applied for – the cost is \$1000. Note you are informally considered “resident” as soon as you apply, as the approval process can take up to a year. It is extremely easy to travel from Nassau or Freeport to any major city, in fact, it is most often cheaper to fly from Nassau to Toronto than it is to fly from Toronto to Halifax.

British Virgin Islands

An archipelago of over 60 islands, cays and rocks spread over 58 square miles in the Caribbean. The British Virgin Islands are 90 miles east of Puerto Rico, neighboring the U.S. Virgin Islands, with an English-speaking population of approximately 12,000.

BVI maintains secrecy laws that prohibit the unauthorized disclosure of information. There is no income tax on income earned outside the islands, although personal income derived from the islands is taxed at a maximum rate of 20%. There is no capital gains tax, gift tax, death duty, or estate tax.

BVI is one of my favorites, with volcanic mountains, lush greenery, and a safe, crime-free society. You can get the right to reside in BVI, but you must renew every year. It is very difficult to obtain official “belonger” status, however, as I know of one family that has been trying for years. It is easier if you purchase property, as this is an indication that you wish to stay and make BVI your home. The British Virgin Islands do not have any formal citizenship or residency program, simply because they don't need your money for these types of proj-

ects. BVI is a prosperous country that has also avoided gambling – they want to be known as the “home of yachts, not the home of slots.”

Belize

Belize is a dictator-free country in Central America with a beautiful coastline looking out toward the Caribbean. Belize City is the largest center, home to a large expatriate population from Canada, the U.S., Germany, Britain, and Australia.

Although Belize is used as a tax haven by those living outside the country, residents are taxed at the insanely high rate of 50% on income in excess of B\$60,000 for income earned within Belize, equivalent to US\$30,000. Sound like any other countries you know of? To obtain permanent residency, you must live in Belize for one year, and also deposit \$1200 with a Belize bank. Citizenship rights may be applied for after you have lived in Belize for over five years, something that may be tough given the local tax rates. Fortunately, air travel is good, with regular flights to many U.S. and Canadian cities, and the cost of living won't scare you away.

Bermuda

Pink sand and coral beaches with a direct British influence keep people coming back to Bermuda, which is actually closer to New York than it is to Miami. Bermuda is known as a very safe country with a low local tax rate, although the cost of living is very high, with real estate and rental property prices that will make you think there's gold in the ground.

A residence permit can be obtained for \$100 per year with prior authorization from the department of immigration, however citizenship may only be obtained by either being born in Bermuda or marrying a Bermudian. Flights are relatively inexpensive and frequent to many major cities.

Cayman Islands

Situated in the western Caribbean approximately 475 miles south of Miami, and south of Cuba. They consist of three small tropical islands with the average temperatures of 82°F in summer, and 72°F in winter.

Even though there are less than 30,000 people on a total land mass of 100 square miles, the Cayman Islands have become one of the world's top 10 financial centers. Of course, along with all this money comes a high cost of living and outrageous real estate costs. Watch out for the Cayman dollar “trick” while you are there – it goes like this: the Cayman dollar is worth US\$1.20. When you go to a restaurant, for example, prices are in dollars, but when you pay the bill you find that the prices are Cayman dollars – a nice way for them to grab a bit of extra money without anyone noticing. It is not uncommon to stop for lunch and beer (yes, only one beer), and walk away \$25 lighter. Now, convert that to Canadian dollars...

To become a permanent resident, you must invest at least \$150,000 in a Cayman home or business, and also provide a police clearance, certificate of health, three written references, and a mug shot. A fee of \$1500 applies, allowing you to stay initially for six months. You

may renew this every six months, or apply to be a permanent resident after the initial six month period. Fortunately there are no direct taxes on individuals or corporations, and no capital gains tax, capital or wealth tax, gift tax, inheritance tax or estate duty.

In the next issue of Planning for Profits, I will give an overview of the next set of countries, all the way to the Turks and Caicos Islands.

Published May 1999.
