

Study of Expatriation as Countermeasure to Citizenship-Based Taxation

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Abstract : This research empirically examines some of the reasons behind the fact that recently the number of people giving up their American citizenship for tax purposes has recently increased drastically. The United States Jurisdiction represents a unicum in the practice of taxing worldwide income not only to residents of the United States but also to U.S. citizens living abroad. The worldwide income taxation also affects people defined as “Accidental Americans” who are unaware that they are U.S. citizens. Those people are considered Americans even though they have not been to the United States. American residents abroad can rely on United States income tax treaties and some national law provisions, such as the exclusion of foreign income and foreign tax credits, which are designed specifically to avoid double taxation. However, this mechanism may prove unsatisfactory for people who have not been linked anymore or individuals who have never had relations with the United States. U.S. citizens who are determined to cut all of the ties between themselves and the United States, especially those that involve tax implications, can renounce their U.S. citizenship with the expatriation procedure. The expatriation process represents the extrema ratio and implicates several steps which must be followed carefully. This paper shows the complexity of the procedure that a U.S. citizen who is resident in a foreign country would have to follow to relinquish U.S. citizenship for tax purposes. The mechanism is intended to discourage people from renounce. Going beyond the question of whether U.S. tax regulation is fair or not, this principle nowadays characterizes a popular topic that many scholars and lawyers are discussing. The outcome provides interesting implications that could induce the Congress to rethink the definition of citizenship for both fiscal and nationality law purposes. Indeed, even if a sort of checks and balances has the task of mitigating the renunciation of U.S. citizenship, more and more U.S. citizens desire to get rid of their citizenship.

Keywords : double taxation, expatriation tax, international taxation, relinquishment of United States citizenship

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