

# Residence and Citizenship Planning

By *Christian H. Kälin*

Partner, *Henley & Partners*  
Zurich

Today, persons of talent and means need not limit their life and business to only one country. Making an active decision with regard to residence and citizenship leads to more personal freedom, privacy and security. It can also be an important and very powerful element in personal estate and tax planning. Indeed, in the world as it is today, with increasing mobility and transparency, (tax) residence as well as citizenship play an important role and are becoming more important than before.

Private bankers, lawyers, international tax advisors and other professionals are increasingly in need of specialist knowledge in these areas in order to advise their international clients in a meaningful way. This is particularly important in Switzerland, which itself is a hub for wealth management as well as one of the most desired places for residence for the wealthy.

## The ideal place of residence

The recent changes to the taxation of resident but non-domiciled individuals ("Non-Doms") in the United Kingdom, another important place in this regard, could have been worse. It has, however, made many people wonder "what's next?", and perhaps generally to consider what an ideal place of residence should offer. Such a place should probably be a tax-free or low-tax jurisdiction with clear, reliable rules. Particularly the latter could not be said of the UK, and with the recent changes and subsequent changes to the changes with regard to the taxation of Non-Doms, the UK government has certainly proven again to be rather unpredictable. There should also ideally be no or limited reporting requirements, no forced heirship rules, and it should be easy to obtain a residence permit. Although one would of course like to stay in such a place that offers all of these benefits, it would still be useful if there were no minimal physical presence requirements. Finally, but increas-

ingly important for many people is the possibility to acquire citizenship in due course.

Of course there is no ideal place of residence suitable for every client. While Switzerland is in many ways the most obvious and most important alternative to the UK, which is the number-one destination in Europe for wealthy individuals and families, it does not offer an easy path to citizenship. Belgium, on the other hand, offers not only an excellent environment to live and to be taxed (or rather, not taxed) in, but also the possibility to acquire citizenship after only 3 years of residence. Then there are places like Monaco or the Bahamas, which do not have any taxes on income or wealth, but also are not suitable if you are interested in acquiring citizenship after some time. If citizenship is important and desired without years of prior residence, then Austria and St. Kitts and Nevis are the countries of choice.

## Belgium: Citizenship and passport after three years

Newcomers to Belgium may initially apply for a residence permit. This is subject to annual renewal in the first 3 years, after which a permanent residence permit is generally issued. Also, after 3 years one can apply for citizenship, which makes Belgium the country with the shortest time requirement for citizenship anywhere in the EU.

After 7 years of residence in Belgium, a resident acquires the right to become a Belgian citizen. This is a unique provision that provides significant security to clients interested in eventually becoming Belgian citizens, as in most countries, citizenship is only

ever granted in full discretion by the relevant authorities.

## Switzerland: Lump-sum taxation and other benefits

Switzerland's political and economic stability, combined with excellent communications and transport links, efficient public services, an attractive tax environment and many more advantages has long made it the ultimate choice for business and residence. Interesting tax-planning opportunities are offered by the unique preferential lump-sum tax regime available to foreign citizens who are not gainfully occupied in Switzerland. This makes Switzerland even more attractive as a place of residence for wealthy individuals and families. An important aspect of the lump-sum taxation regime is also that if taxed on this basis, you are not asked to declare your worldwide income or assets, which offers wealthy individuals and families considerable privacy with regard to their financial affairs.

The concept of lump-sum tax for foreign nationals has recently come under attack, after the voters in the Canton of Zurich voted to abolish it in their canton. It remains to be seen what will happen next, but clearly this has had already some effect in that the remaining cantons have, without exception, increased the required minimum tax for any new arrangements they make.

Because everywhere around Switzerland things are getting worse, the country will however be even more than now of interest as a place of residence for wealthy clients who are seeking a safe haven with a reasonable government and stable environment.

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## 3<sup>rd</sup> Global Residence & Citizenship Conference Zurich, 23 – 25 November 2009

The leading event of its kind, the conference will address important and current issues of interest to private clients who are spreading their assets and activities internationally and who are looking to relocate for personal or business reasons. **Special feature: One full day on Switzerland** covering residency options, tax benefits, luxury real estate and restrictions in acquisition by foreigners, Swiss education system, world-class medical services, Swiss banking secrecy etc. plus a **discussion panel with experts and politicians on the future of Swiss lump-sum taxation, hosted by Reto Brennwald of SF Swiss National Television.** More information: [www.henleyglobal.com/zurich2009](http://www.henleyglobal.com/zurich2009)