

EXPAT WORLD REPORT

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LIFE ON THE "QT" OR "PT" ALL IN THE QUEST TO RETAIN YOUR PRIVACY

P.T. -- the art of Perpetual Travel, often as a Prior Taxpayer, is a way of life for many of you. You really can "drop out" of the system by never staying anywhere long enough to "check into" the system or never long enough to have a legal obligation to render unto Caesar the things that are Caesar's. (This is a reprint of an article written before the fateful day of September 11th 2001. Things have tightened up quite a bit since then, but this article may be more useful now than ever.)

The idea behind the PT magic is that if Caesar doesn't know you are there, Caesar can't find you for rendering. Nevertheless, many of us with families and pets (and emotional needs for home), long for a single, safe place to reside in relative peace -- away from the watchful eye of big brother. And it is to these needs that I have been giving a great deal of thought recently. I have decided to call the resulting concept QT -- life on the quiet -- as opposed to PT -- life on the go.

Increasingly, deciding to vacate one's homeland is not just a matter finding a better innkeeper; it's a matter of lodging a protest against one's government by voting with one's feet. It's for the reason of trying to get another point of view on one's homeland from distant shores. So, even if one can learn to live in one's homeland invisibly, that does not give the relief from culture or politics, nor does it provide the perspective of distance.

That search for a life on the QT quickly takes two branches of thought -- both useful. One requires finding a country that is benign of people, politics, climate and economy -- some version of Utopia. My experience is that most first world countries no longer have much of a sense of humor when it comes getting their due and making sure its citizens check in and toe the party line. Admittedly, some are easier to stomach than others, but choosing the best of breed is, in the end, a personal matter based on your own solution matrix. Personally, my greatest sense of this kind of "freedom" has come during travel in third world countries where there is neither mindset nor funds to care a whit whether your child goes to school or how you go about living your life or, for that matter, whether you live or die. And, while third world countries have a lot wrong with them, by definition, I am predisposed to admit that this may be as good as it gets when it comes to finding Utopia. While first world countries sequester civilization's art and much of what passes as culture, and hold forth sizzling economies where fortunes can be made day trading, and which warehouse most of the world's goods "worth" purchasing, the price of affluence is invariably a loss of freedom except what you can carve out with the help of expensive lawyers holding the remnants of a tattered Constitution as a shield.

The other "branch" of thinking is stolen from the old hippie concept of just "dropping out" wherever you are. In our case, after leaving town. There is a working model of this that may be illustrative. As most of the world knows, the U.S. is inundated with "illegals" from south of the border. (Illegals from north of the border are more socially acceptable.) Mexicans (and other non-desirables who have overstayed their visas) supply the underground labor force that feeds many a large city -- the bus boys, dishwashers, food preparers, landscapers, field hands, diggers, maids, helpers, hod carriers, grunts of the construction industry -- in short, the people that make all things possible. They more often than not sup-

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port families in Mexico or Central America and visit home infrequently since re-entry is so difficult.

What all these people have in common is that they live on the QT -- quietly. They are not models of how to do it, since they do it usually with false papers and are always a step away from being evicted from the country. [As an aside, the U.S. Immigration and Naturalization Service (INS -- the dreaded *migra*) as they're rounding up the usual suspects for deportation are now required to collect any wages due in cash and give it to the deportees thus being the basis for rapid illegal re-entry, often within 24 hours.]

But one must concede that, at some level, it is possible to live in a first world country without technically or lawfully "being" here. The question then is how one lives in your home country or a new, adopted country without officially "being there". Let's start with the basics. What things do you need from a country that necessitates "checking in" in order to get them? Well, the first is usually "a job". So you get around that by either a job using false papers or no false papers and NO JOB! More precisely, plenty of income, but no job. To be discussed below. Another thing you often need is "permission to stay" -- a permanent residency permit or a visa. If you are a permanent resident, well, you've obviously just "checked in." In return for dad's permission to live there, you have become a tax-paying member of the family. This is not all bad. Declaring the minimum one might need to live there and filing a simple return may be a small price to pay for admission to a great place like New Zealand. Visas are another form of "permission," but much more benign. And if you play the 90-day-hop game - cross a border and come right back, then no one ever knows you're there and you haven't had to ask anyone for anything. This is opposed to the neat and tidy approach of getting permission in the form of permanent resident permits which is tantamount to sending an engraved notice to the country that you have arrived and are ready to be plucked.

What else do you need from a country? I'm assuming that public infrastructure is there for the using. I'm talking things like health care. Two ways around this. Cash for care. Or private expatriate health insurance. Yeah, just look it up on the web. Tons of it to be had. Maybe it costs a thousand dollars more a year than if you checked into the system, but look at the extra cost as a "tax" and you'll get to compare the added cost of living on the QT with that of checking in and paying 40% - 70% of everything you earn to a government. A really radical plan? Just show up at a hospital that receives public funds and they MUST treat you. This plan is not available in third world countries. Best to take your vitamins there. And watch for cars. Pedestrians are usually fair game.

What else do you need from the state that requires a form and a name? Driver's license. In most countries, if you tell them you'll be visiting for awhile, they'd prefer you had one of theirs and are most accommodating. If they're not, the hell with them. International driving permits are available all over. U.S.\$200 or less for 4 years validity. Get one. They work. Ok, what else do you need? Banking. So? Open a foreign account. No one needs anything except your passport and one more ID. Like, maybe, an international driving permit. Be sure to get one with an ATM card and maybe even one that comes with a MasterCard logo and works anywhere in the MasterCard/VISA/MaestroCirrus system like a debit card. (Wells Fargo has one in the U.S.) Schools for the kid? Home schooling or private. Or the "just Passing Through" explanation. Next? Car and insurance. You're visiting. You think it might be better to buy than rent. There are programs everywhere. Next? House. Rent it or have your trust or IBC rent it for you. Your company attorney calls and says, hey, we're sending some of our employees to your country for vacations as a bonus for working so hard and we'd like to rent a house or buy a house so they can use it when they're there. Will anyone accommodate? Of course! Telephone? That will depend on the country. A hefty deposit will cure most anyone's concerns. If you rent, have the landlord get it and transfer it to your company.

Do any of these "schemes" involve added cost? All of them. But if they don't add up to 40% of your income, then . . . like what's the question?

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So that gets us to the big question . . . can you live in your own country as a foreigner on the QT? I really don't see why not. I suggest you move somewhere where everybody doesn't know you as Nancy Jones who grew up just down the lane, but other than that, let's examine, for instance, what you'd have to do to live in the U.S. the self-appointed junk yard dog to the world when it comes to tracking down illegals.

The watershed question is "what are you going to do for work" and this gets back to the old PT concept of a portable trade or occupation. But say you want to run a dry cleaning plant. Hey, don't laugh. No glamour, but decent money. Here's the way the game's played. A corporation owns it or a limited liability company, even a low cost trust. The company pays you dividends, not salary, and sends the dividends to you, Mr. Foreigner, at hopefully your foreign address. The company is required to withhold 20% of the amount as a tax. If you file, you might reclaim some of it. But you won't.

Instead you'll let the company pay many of your expenses. Why do you think so many families that just got off the boat open restaurants? Why do they often live behind their shops or over them? The challenge facing any business person is to convert as many personal expenses to deductible business expenses as one can. But, you say, don't you have to file tax returns? No, you don't. Get a CPA or tax preparer to file the trust, corporate or LLC return. You're just a foreign shareholder. You don't file a damned thing.

Of course, when you get all done, you've just succeeded in checking into the system as someone else who just happens to be you. I don't think that accomplishes much. Alternatively, you can become a foreigner living here. But a special kind of foreigner if you don't want to play the visa game. You've got to be a foreigner who was born here! Does that happen? Very often. How? Say your parents moved here from Ecuador. They were naturalized. You have a U.S. birth certificate. You're a dual national. Or your father or grandfather was born in Italy. Or some other country and foreign citizenship is yours for the claiming.

But say your parents are not foreign nationals. What if you did a legal name change using a real good attorney who followed up the name change with a court ordered re-issue of your birth certificate in your new name. This is tough, but it can be done anywhere if you are persistent. The reason you give for the re-issue of the birth certificate with your new name is always "to return to your original family name" or "to honor your adoptive (or foster) parents" and because having a birth certificate different from all your other details, including your travel documents, always causes problems, even if the court order changing the name is attached.

So your challenge is to shop for an attorney who will quote you a price on not just a name change, but who guarantees he can get a court order to re-issue a birth certificate in your new name.

Are there other birth certificate tricks? Tons. What is the one thing you never want to do with a funny birth certificate? Apply for a social security number or a passport. The only purpose a birth certificate from your home country is for is so you can't get deported.

When you succeed, you will have a new U.S. birth certificate with a new name, or even your old birth certificate with a court ordered name change attached. No social security number. No nothing. Now you purchase a citizenship (by naturalization, not rebirth) for \$5,000 to \$45,000 from a broker, check Expat World, that suits your needs and may have other attractive qualities to it. Such as visa free travel to many places. You are now a naturalized citizen of, say, Grenada, and have a U.S. birth certificate in a name other than you were born with and other than everyone knows you. Can your birth country deport you for overstaying your visa? Of course not! You're a citizen! Can you open a bank account that is off the books? Yes! As a foreigner! It is "legal" to do that. I'm not sure anyone knows. As a resident citizen do you have a duty to report it? No unless you get income from it. So, don't get an interest bearing account. One's own country is often a great tax haven if you're not a citizen. Does the bank know you're a citizen? No! What do you show them? Your foreign passport and your, what? Your international

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driving permit! After that, you're off and running. And you didn't even have to leave the U.S.! Does the U.S. government know you exist? Not unless you tell them. Do you need a social security number? No! You're a tourist just Passing-Through or living there on the QT!

Is life easier in a country if you check in? Yes. Is it cheaper if you check in? Yes, in the short run, if you don't count the cost in taxes and regulations that apply only to citizens. But here comes one of Expat World's Rules -- Privacy is directly proportional to cost or extra trouble. Or the corollary -- cheap and easy almost always means transparent. Do you use a mail drop, even a foreign box to have things re-mailed to you! Of course! Is there an added cost? Yes. So, keep track of these added costs and inconveniences and compare them to the cost (including loss of sovereignty) and conveniences of living on the books.

Can the taxing authorities find you? Maybe -- if you divorce and your ex-spouse tells them. But who else will? If you work off the books and don't live too conspicuously, who's gonna know? If you run a company, then the foreigner has taxes withheld at source from his dividends. He never has to file a return. What if you're caught? Well, the good news is that the government probably owes you money! If you make money as capital gains (as in mutual funds), there are games you can play, legally, where there is no withholding. Think about that as you explore stock market growth. It's like making another 20% a year.

There is yet another spin on this if you want to check out and still live in your home country and you have substantial assets. Put them in tax-free municipal bonds. Own them as your new foreign persona. If you ever get "caught" by the IRS and they determine you are really a resident, what do you owe? Nothing. What are the penalties? None. Is there criminality? No. The first test of criminality is that you must actually owe tax. If your income derives from tax-free munies, you don't owe anything to either state or federal authorities. So failing to report it is irregular, but not criminal.

It is EW's understanding that the same kind of strategy can work for our Canadian friends. Revenue Canada is getting more and more aggressive and, like the U.S. Internal Revenue, is attacking tax avoidance schemes wherever they can find them. Yet there are places in Canada that are, perhaps, some of the most beautiful places in the universe. So let's look what happens if a Canadian purchases a citizenship that is visa free to Canada. But before he does, he changes his name. In Canada, if the name change is by court order, you can submit the order to the Provincial Vital Statistics bureau, and they will issue you a new birth certificate (get both sizes and a few sets of originals) with your new name.

Canada, however, is as "on-line/real-time" as about any country in the universe. Everything is cross-linked with every agency. And all that wonderful socialized health care may be hard to give up. Of course, many Canadians complain that it doesn't work.

But what about a bit of cultural exchange? If a Canadian comes here and a U.S. citizen goes there, both have just moved a few miles, no-duty on import of stuff for "vacation/seasonal" purposes, easy, no quarantine of pets and animals, and there they are in a foreign country amazingly culturally similar to each other. With some pleasant differences. Each is out of the other's system. The Canadian moves to San Francisco or New York and the U.S. citizen moves to Victoria or Toronto. Each will feel at home. Neither will officially be there.

Can the Canadian fund his U.S. activities from U.S. tax-free munies so that if he's ever found to be a resident for tax purposes he owes no tax? Yes! Are there other schemes for U.S. citizens moving to Canada? Yes! Can each visit the other using ATMs? Yes. Are there some taxation technicalities that it would be good to put in order? Yes. But where there's a will there's a way.

Can a first world citizen disappear into Europe and live someplace permanently without running afoul of the law? Sure. Been done for years. PT-ing is the safest method, but I wouldn't hesitate a moment in QT-ing it myself. I'd take a few precautions. Luciano Pavoratti got in trouble with the Italian taxing authorities because he claimed he was a permanent resident of Monaco -- a tax haven on the Mediterra-

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nean. But he lived most of the time at his estate in Moderna on the Adriatic. He was pursued because the Italian government can't chase everyone (and everyone cheats), so they use the high profile prosecution technique to encourage compliance. Same tactic the U.S. IRS uses -- except they're equally happy to grind up little people, too. (The so-called "grass roots prosecution" strategy.) Interesting enough, if Pavarotti wasn't Italian, he could have pulled it off. If I were going to live in Italy, it wouldn't be as an Italian. If I were Italian, I'd pop down the coast to France or Spain. Or, like Pavarotti, I'd pick a place like Malta to HQ and get official residency. Not a pure tax haven. But the personal income tax maxes out at something like U.S.\$2700. Then I'd visit Italy for six months or less a year or go back and forth every few months.

Or, spend \$1200 a year for an annual residence permit in the Turks and Caicos in the Caribbean. Get a driver's license, address, etc. If any one asks, that's where you permanently reside -- a domicile in technical terms. TCI (Turks Caicos Islands) has no estate tax or income tax so it's a great place to be domiciled. So now your IBC or trust is renting or buying a villa (a villa being something the size of your guest house stacked on top of the next villa). Or maybe it has bought a Spanish farm. Since your tax rate is going to approach zip, zed, zero, you can afford to be magnanimous. Your IBC can lease the farm to your farm business that, hopefully, hired people to run the farm and fills out all the proper returns with your name nowhere to be seen. Your mail comes to the farm. You get it. Just think a couple steps ahead. Then you play the "90 day hop" (4 times a year cross the nearest border, stay over night to get a hotel receipt) and return home with the right to live there for 90 days. Visa stamps would be nice, but they're no longer in vogue. You've got to beg for one for souvenir purposes. Begging four times a year is good for the soul. Actually, you beg every other trip so that it shows that you've actually been gone a long time.

Since PT-ing requires (if done according to the rules) a number of residences -- usually three (or two if you vacation for a month somewhere else) in order to technically live in each country less than the time necessary to trigger taxation. This is fine if one is without children, but a few years of this will be worse than raising a family with the military who is always on the move. In later years, the kids are gone and you can do what you want. However, by that time, if you have travelled during your good years, the allure of travel has waned due to emotional maturation or declining health. A home base seems real good. As one ages and accumulates assets, the last thing anyone wants is to go mano a mano with a taxing authority as they round up your assets. To appease the Republican beast that emerges in our dotage or when we actually have something to lose, two things are necessary -- competent estate planning, asset protection, and a life style that doesn't attract attention as being full of conspicuous consumption. If you've got to live in 10,000 sqft (1111 m2) houses with a Rolls Royce in the drive and you strive to advance in conspicuous business or politics, then you're better off biting the bullet and checking into the system. For those of us who'd like a simple and free life, then the Japanese concept of shibumi is helpful. Understated, humble elegance. When you need to strut your stuff -- take it on the road.

In closing, the peripatetic life of PT can be successfully modified to a life of QT if structured property. It's a bit more complicated than PT-ing it, but it does have its own rewards and is more suitable for families or seniors.

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