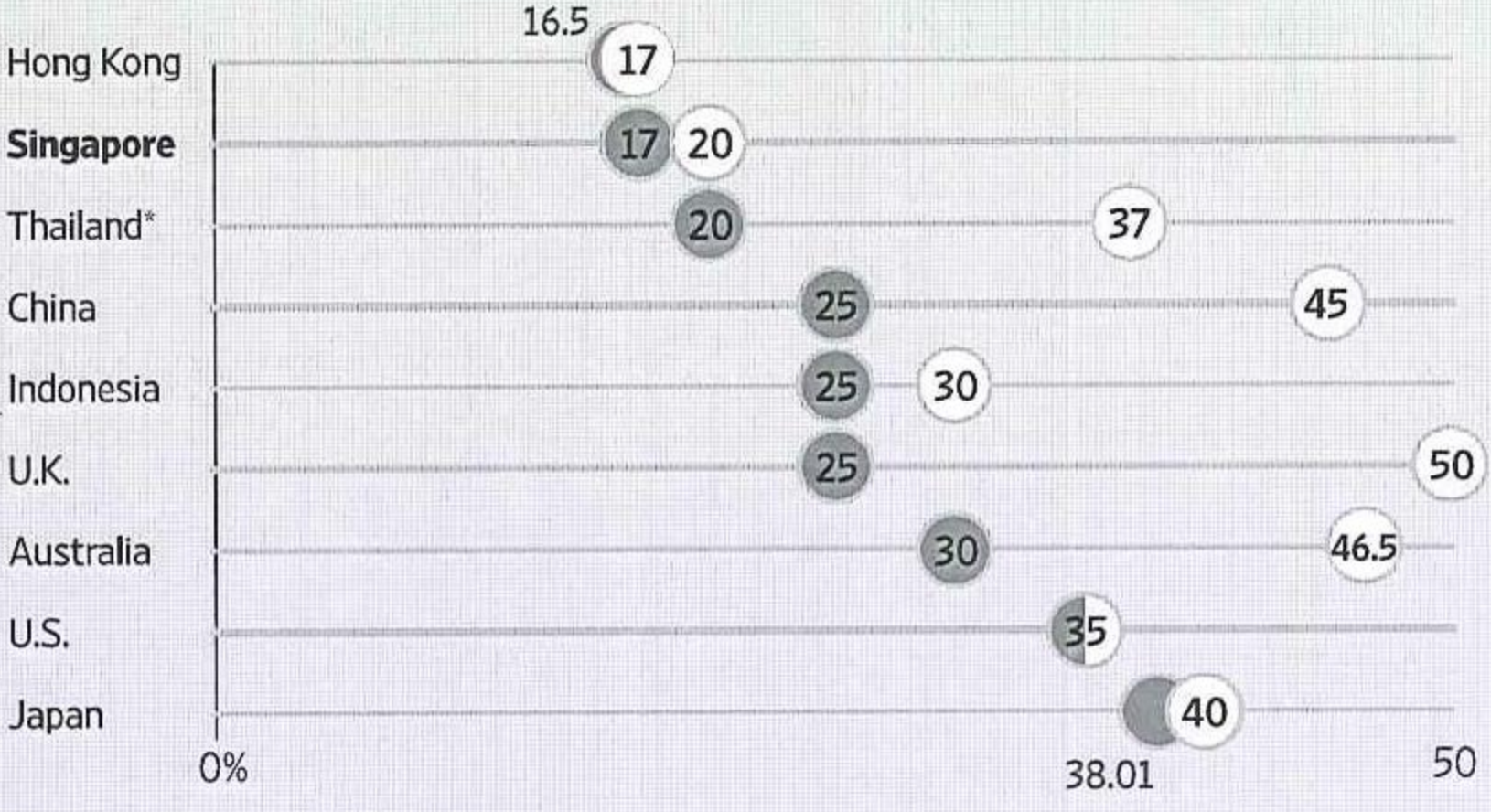


WORLD NEWS: ASIA

Location, Location

A sampling of corporate-tax and personal-income-tax rates around the world.

Top tax rate:
Corporate
Individual



Some countries' rates can vary according to claims on allowances and additional local and state taxes.
*For the accounting period starting on or after Jan. 1, 2013 and Jan. 1, 2014.
Source: Ernst & Young

The Wall Street Journal

Asia Is a Draw as U.S. Weighs Higher Taxes

By SHIBANI MAHTANI

SINGAPORE—Facebook co-founder Eduardo Saverin's recent decision to give up his U.S. citizenship in favor of long-term residence in Singapore has drawn fresh attention to the appeal of residing and investing in the wealthy city-state and other parts of Asia, where tax burdens are significantly lighter than in many Western countries.

Although the number of Americans throwing away their passports remains small, the trend has accelerated over the past two years—especially in Asian financial centers. Some 100 Americans opted out of U.S. citizenship in Singapore last year, almost double the 58 that did so in 2009, according to data from the U.S. Embassy in Singapore. Globally, 1,780 Americans renounced their citizenship last year, compared with 742 in 2009, according to U.S. government records.

The increase of Americans choosing to renounce their citizenship comes amid heated tax debates in the U.S. Many businesses and high-income individuals are worried that the urgency to reduce the country's federal deficit will translate into tax increases in future years. Without a bipartisan deal to reduce the country's deficit, Bush-era tax cuts and a payroll-tax cut for this year will expire by early next year.

Even if U.S. tax rates increase slightly, they would remain historically low.

The superwealthy are also worried about possible future passage of the so-called "Buffett Rule" that would ensure high earners pay at least 30% in federal tax.

The Asian financial hubs of Singapore and Hong Kong, on the other hand, have kept personal and corporate taxes among the lowest in the world to attract more foreign investment. Top individual income-tax rates are 20% in Singapore and 17% in Hong Kong, compared with 35% at the federal level in the U.S., according to an Ernst & Young report.

The two Asian financial centers have also been praised by experts for having simpler taxation systems than the U.S. and other countries. Businesses must make an average of three tax payments per year in Hong Kong and five in Singapore, compared with 11 in the U.S. and a global average of 28.5 per year, according to PricewaterhouseCoopers UK and the World Bank Group. The tax codes are also more transparent so that many people don't require a

consultant or adviser.

"The U.S. used to be a moderate tax jurisdiction compared with other countries and it used to be at the forefront of development," said Lora Wilkinson, senior tax consultant at U.S. Tax Advisory International, a Singapore-based tax services firm that specializes in U.S. taxation laws. Now "it seems to be lagging behind countries like Singapore in creating policies to attract business."

She said she gets at least one query per week from Americans who are interested in renouncing their citizenship in favor of becoming Singaporeans.

Not all Asian countries have a reputation for lighter tax burdens. In China, the top tax rate for high-income earners is 45%, though corporate taxes there are relatively low. Japan is also known as a relatively high-tax country.

'America is no longer the Holy Grail,' said one immigration expert in Hong Kong.

There are also other reasons why wealthy Americans choose to renounce citizenship. Stronger economic growth in Asia has attracted many Americans who now have no intention of returning to the U.S., which unlike many other countries requires expatriate citizens with high salaries to keep paying taxes back home.

Some private wealth managers say they no longer take on American clients because it involves too much work and risk complying with strict U.S. banking rules. The number of people renouncing in Singapore is believed to be especially high in part because the country doesn't allow its citizens to hold dual citizenship so people with partners and children in the city-state may simply choose to keep citizenship there.

"It is not just about fat cats evading their fair share of tax," said Eugene Chow, a principal at Chow King & Associates, a Hong Kong-based law firm that specializes in U.S. and international immigration. In addition, Asian countries offer a business climate and lifestyle that many find attractive: "America is no longer the Holy Grail."

Because of his high profile, Mr. Saverin's case could help popularize

the practice by making more wealthy Americans aware of the potential benefits of renunciation.

For Mr. Saverin—a 30-year-old investor listed by Forbes as one of the 20 youngest billionaires in the world—giving up his U.S. citizenship could mean millions in tax savings, a decision he took months before Facebook announced its plans to hold an initial public offering. In addition to lower corporate and personal income taxes, Singapore also has no capital-gains tax, no tax on bank interest and no dividends tax.

According to Wealth-X, a Singapore-based firm that tracks information on high-net-worth individuals, Mr. Saverin could see at least US\$39 million in savings on his Facebook stake alone, or roughly 1% of his approximately US\$3 billion net worth. The results are contingent upon how well Facebook performs in its IPO.

Mr. Saverin will still have to pay a hefty exit tax in giving up his U.S. citizenship, calculated as a one-time payment for any American with assets with over US\$2 million. U.S. tax experts note that while this exit tax sometimes dissuades older American millionaires from giving up their citizenship—with few years left to make huge capital gains, tax-free—the move often makes more financial sense for younger people like Mr. Saverin.

Mr. Saverin now holds Brazilian citizenship, where he was born, and permanent residence in Singapore, a status that allows foreigners to stay in the city-state without visa restrictions and opens the door to full citizenship later on. It is unclear whether Mr. Saverin is seeking to obtain Singapore citizenship. Mr. Saverin, who rarely speaks to the press, declined to comment and forwarded press queries to a New York-based spokesman.

The spokesman said Mr. Saverin's decision to renounce his citizenship was primarily rooted in "business reasons" rather than being tax-related. "U.S. citizens are severely restricted as to what they can invest in and where they can maintain accounts," said Tom Goodman, the spokesman, in a statement to The Wall Street Journal. "Many foreign funds and banks won't accept Americans."

On Monday, Mr. Goodman added that Mr. Saverin has been living in Singapore since late 2009, and felt the city-state was "an attractive place to live and a convenient travel hub for doing business in Asia."