



## The Best Tax Haven Getaways

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It's April 15, the day when all responsible citizens have to send in their annual pound of flesh to the Internal Revenue Service. Unless, of course, you are a tax exile.

So, while Forbes does not condone tax evasion, we are especially sympathetic to how many of our readers are feeling this time of year. While most taxpayers only fantasize about skipping off to some tropical offshore haven beyond the clutches of the IRS, however, every year a few scofflaws, cheats and dodgers abandon the U.S. in favor of someplace where they can keep their money out of Uncle Sam's hands.

Besides the obvious financial incentives, most tax havens offer plenty of other attractions as well. Most of them are located in exotic destinations with tough extradition laws and plenty of services that appeal to the wealthy, such as secretive private bankers, good personal security services, luxury housing, salubrious climates and better than average restaurants and nightclubs.

Avoiding taxes, however, is no longer just a question of hopping on a plane and heading somewhere tropical. The U.S. government has been cracking down on tax exiles since 1996, making it increasingly difficult for individuals, as well as corporations, to get away with nonpayment of taxes. (Citizens of other nations, however, have it easier. The U.K. has very liberal laws that allow British subjects to spend up to half a week, every week, in Britain and still qualify as a tax exile, which greatly reduces but does not eliminate income tax.) Many countries that once provided cushy welcomes for tax evaders have been read the riot act and rolled up the red carpet.

For people who think that they can still zip off to Panama or Switzerland to avoid paying taxes, think again. Beverly Hills, Calif.-based international tax lawyer **Gary S. Wolfe** says that while countries such as the Caymans do not impose taxes, that does not apply to U.S. citizens or residents. "The mistake that Americans make is that they go offshore and think that they don't have to pay any taxes," he says. "The reality is that U.S. citizens are taxable anywhere in the world."

Because of that, some U.S. citizens instead choose the legally and emotionally difficult course of expatriation. But according to **John Ambrecht** of Ambrecht and Associates, a Santa Barbara, Calif.-based estate planning and trust adviser, the IRS won't make it easy on you. Even if you choose to give up your passport

to become a citizen of, say, St. Kitts, it can take up to ten years before the U.S. no longer has jurisdiction over your U.S. taxable income.

To complicate matters further, tax ex-pats may find their re-entry into the U.S. denied, which can be difficult in case of medical or family emergencies, or just simple nostalgia for home. "We have seen some people move to New Zealand [for less than the ten-year period], and then when they want to come back, it's a real problem," says Ambrecht.

What Ambrecht does recommend, however, is using such offshore havens to help with tax planning or asset protection in order to minimize taxes, not to avoid them--particularly if you want to leave money to your family without getting in trouble with the IRS.

"You can create situations where certain income is not included in your U.S. taxable income but is considered foreign-sourced income," he says. "While you still have to report the income, you get it excluded as U.S. taxable income if you have planned correctly. Additionally, if you have planned correctly and you have assets in strategic jurisdictions, you can protect these assets from U.S. creditors."

In other words, avoiding the IRS isn't easy. Most people, after speaking with their trust and estates lawyer, may decide that as satisfying as the idea might be, in the long run it's better to pay the taxes. That is why if you want to feel like a tax exile for only a few days, we recommend instead that you visit one of the tax havens on our accompanying list of top tax haven hotels. That is, of course, assuming you have any money left after you've paid your taxes.