

Renouncing US Citizenship Made Easier for Portugal's Affluent Expats

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/EINPresswire.com/ -- A large number

of wealthy US expats now living in Portugal are set to relinquish their US citizenship in order to ease their tax burden and restructure their income and assets after a policy change.



The continued burden of filing US taxes while living in Portugal is now making less and less sense for those living in a different country and enjoying life in Portugal”
Steve Philp, Director Portugal Pathways

Since 2010, US citizens have been subject to what is known as the Foreign Account Tax Compliance Act (FATCA).

Set up to prevent tax evasion through assets held outside of the US, it has created a significant headache for many expats who have started a new life in Portugal.

Among them is a requirement for foreign banks to report the assets of all US account holders to the Internal Revenue Service (IRS) in America.

This has been known to cause some issues, with banks reticent to open accounts for fear of problems with fees for non-compliance with US tax authorities.

It also incurs ongoing fees to file tax returns in the US for a country where you are no longer resident, as well as the possibility of being taxed both in your adoptive country and your homeland on real estate, for example.

However, renouncing your US citizenship has become much easier due to new US legislation.

Until this change, those holding a US passport were paying a fee of \$2,350 to renounce their US citizenship.

But this is set to be dramatically slashed by the US Department of State – dropping the filing fee to \$450 later this year.

Portugal has already seen a significant influx of US people moving their residence and tax status under the Non-Habitual Residency (NHR) tax regime or through dual citizenship under the Portuguese government's Golden Visa residency-by-investment initiative.

Many of them had already decided to relinquish their citizenship in the US as they could still visit the country under a temporary visa for up to six months.

The reduced fee is expected to lead to a much more significant increase in those renouncing their US citizenship – which has seen around 3,500 taking such a voluntary step each year in recent years.

Steve Philp is the director of [Portugal Pathways](#), an organisation that advises wealthy expats and investors who are relocating or investing in Portugal. In the last two months alone, it has seen an influx of over 500 recent applications for US-connected citizens choosing to relocate to Portugal under the Golden Visa, D7 'Retirement Visa', D8 'Digital Nomad' and D2 'Entrepreneur Visa'.

Portugal Pathways says that more than 40% of those from the US said they were now considering giving up citizenship in the US anyway as they were building a new life in Portugal, which gives them freedom of movement and access to the 27 European Schengen region countries.

He explained: "The continued burden of filing US taxes while living in Portugal is now making less and less sense for those living in a different country and enjoying life in Portugal.

"Having to do tax returns in the US adds an additional layer of bureaucracy, which can throw up plenty of time-consuming hurdles when they no longer live there. Consequently, many are looking to adopt an EU Portuguese passport and then apply, through the normal channels, for a US visa, allowing them to visit family and friends regularly anyway.

"Once someone has been living or working in Portugal for five years with a residency visa, they will be eligible to claim Portuguese citizenship through the naturalisation programme."

Adds Brooklyn Johnson, a US-connected citizen based in Lagos, Portugal: "Portugal is a perfect place for those seeking an EU passport and access to the Schengen area.

PORTUGAL PATHWAYS

April 24, 2024 4:30 PM

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Pedro Niza
Senior Tax Manager of Vialto Partners

Portugal Pathways US Connected Citizens webinar
24th April 2024

"Its visa schemes provide a pathway to citizenship if that is what is desired, and the quality of life here is second to none.

"But while there are plenty of attractions to obtaining Portuguese citizenship – such as holding an EU passport – anyone considering renouncing their US citizenship should remember that they are making a permanent life choice.

"However, they will need to settle any outstanding tax monies due to the US government before being able to do so. There are specialist professionals who can help you restructure your income and assets so they are more aligned and tax-efficient for life in Portugal.

"We were able to get advice both from a US and Portuguese tax perspective with the help of Portugal Pathways, and we have changed certain things around and can see a clear path to our financial as well as lifestyle goals for the future."

Aziz Bharmal at Europe Living, an international cross-border expert in Portugal who works with many US-connected citizens in terms of visa residency, restructuring their income, assets and tax affairs once settled in Portugal, added: "This is a changing world where people want to make life and financial choices and Portugal Pathways have connected us with many US-connected citizens in recent months that are now looking at relinquishing US citizenship and do not see this as a major hurdle that it once was."

A Portugal Pathways [webinar](#) titled 'How US-connected citizens in Portugal can optimise their investments and income' is taking place on April 24 at 4:30 PM Lisbon / London Time. This webinar is tailored to US-connected individuals residing or contemplating relocating to Portugal.

This webinar will feature international cross-border and tax planning experts, wealth managers with over \$300 billion under management, and tax regulation specialists in the US and Portugal. This expert panel will delve into how US-connected individuals can ensure tax-efficient retirement planning, navigate the complexities of double taxation, maintain compliance with US tax laws, and manage investments across Europe and the US.

About Portugal Pathways: Portugal Pathways is dedicated to assisting individuals in optimising their relocation or life strategy in Portugal. Collaborating with leading professional organisations, they provide essential information and advice for prospective and current residents of Portugal

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