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BREAK YOUR CHAINS

CITIZEN OF THE WORLD



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Break Your Chains and Become a Citizen of the World

“Only a few prefer liberty; the majority seek nothing more than fair masters.”

Sallust

“The State is that great fiction by which everyone tries to live at the expense of everyone else.”

Frédéric Bastiat

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One of the most important lessons you can learn from Flag Theory is that you should **go** where they treat you best, while every instance of success in life teaches you that you need to put theory into **practice**.

If more of us followed this message, the governments of the world would think twice before introducing measures at the expense of their citizens. As things stand, States always put themselves first (politicians, civil servants, bureaucrats, partners, and friends), before anyone else.

As we mentioned, the message is simple:

Go where they treat you best

In the modern world, intelligent citizens don't choose countries out of patriotism or chance (i.e. birth), but see Countries or States for what they are: **enormous companies with services to offer us**.

This e-book gives a summary of all the information you need to decide where to take up residence, establish a company, and optimise your taxes, and also provides a step-by-step guide to taking the reins back and emigrating if necessary.

It is divided into the following sections:

- Deciding where to take up tax residence – all about the different tax systems
- Keys to choosing where to set up your company
- List of the best places to take up residence in
- List of the best places to set up a company in
- Transferring your residence

You can find much more information on our blog, but this e-book is still a good summary to keep you from getting lost.

Warning: bear in mind that laws don't last forever, and that every situation can change; what may be a concrete situation today could potentially be different by tomorrow.

Therefore, before taking any action, get informed and let a financial advisor assess your specific case. For everything outside the remit of a financial advisor, you have the Tax Free Today consultation, which doesn't just focus on one country and goes beyond "by-the-book" solutions.

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Deciding where to take up tax residence – all about the different tax systems

There are different tax systems throughout the world, and some of them let their residents live practically tax-free.

As we explained at the beginning, we shouldn’t see States as parents that treat their children (i.e. us, their citizens) fairly, but as companies competing to win their clients' favour.

Of course, they also use clearly monopolistic tactics that threaten free competition, therefore also threatening their clients (you).

To choose between them freely, you first need to be aware of your potential "providers" and the tax systems they use.

To help you, you can find a summary of the four types of tax system below: **residence-based taxation, territorial taxation, non-dom,** and **no direct taxes**.

Residence-based taxation

This is the most common system in the world. You pay taxes in your country of residence on all income earned throughout the world. In other words, even if your company is located abroad, you still have to pay taxes where you reside.

Often, tax residents who have a share in foreign companies that pay little (or no) tax in the foreign country also have to pay taxes locally.

If you own a business, emigrating to a country with residence-based taxation isn't always a bad idea, at least if the country you choose doesn't have strict laws on international taxation (CFC rules).

In Europe, and more specifically in the EU, there are several countries with residence-based taxation but no CFC rules, such as **Switzerland** and **Luxembourg** (you can find a list of States without these laws below).

Some countries with residence-based taxation, such as **Bulgaria** (10% flat tax) and **Montenegro** (13% flat tax), have very low taxes. These countries can be a very attractive option (compared to others outside Europe) if you bear in mind contributions to social security and the ease of obtaining residence there (especially as an EU citizen).

Other attractive countries with this system include Chile, Colombia, and Ukraine.

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Territorial taxation

This system is mainly found in developing countries, which has its advantages and disadvantages. On the one hand, lack of infrastructure and crime rates can be a problem, but on the other, you can forget about contributions to social security (and the possibilities for businesses are huge).

Tax is only paid on income earned inside the country, or if you set up a business there. If you reside in the country, but earn income in other countries, you won't be taxed.

This is the most attractive system for business owners who aren't tied down to any one place (especially those with digital businesses).

Many countries only allow for **territorial taxation** in the **business** sphere, such as **Morocco**, **Estonia**, and **Singapore**. In other words, you pay taxes on personal income from anywhere in the world, but aren't taxed if this reaches your foreign companies in the form of dividends.

The most attractive options are States with **total territorial taxation**, including for individuals. There are 40 in the world, with the most prominent being **Georgia, the Philippines, Hong Kong, Paraguay, Nicaragua**, and **Panama**.

Many of these countries have regulations that make obtaining a residence permit easier. In other places, such as Hong Kong, getting a permit can be very difficult.

In a few countries, after getting permanent residence, it's possible to leave the country for years without losing your status as a legal resident.

Non-dom

This is a mixed system whose main exponent is Great Britain. It differentiates between domicile and residence, "domicile" being the country you were born and have spent most of your life, and "residence" being the place where you reside at a fixed point in your life.

Emigrating to these countries isn't generally complicated, but you have to spend at least 183 days a year there to maintain residence.

In practice, every foreigner is a non-dom. When you have non-dom status, you can request for a type of territorial taxation system to be applied. This is especially beneficial when combined with the international tax laws that exist in some non-dom countries.

The non-dom system is different to the territorial taxation system because foreign earnings aren't taxable as long as they aren't transferred or introduced into the country of residence.

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In Europe, there are three countries that apply a pure non-dom system: the **United Kingdom**, **Ireland**, and **Malta**. You also have **Cyprus**, although with a few modifications to the system. Outside Europe, the scheme is also applied in the old British colonies.

In non-dom States, you always have to pay social security.

No direct taxes

There are also countries in the world that don't apply direct taxes.

These are usually small island countries (frequently offshore financial centres) or larger oil-rich countries with monarchies.

Immigrants usually have a harder time obtaining residence in these States.

In countries such as the **Bahamas** and the **Cayman Islands**, direct taxes can be easily avoided, while in countries such as **Qatar** and the **United Arab Emirates**, there are no taxes at all.

The quality of life in these countries varies considerably, and the cultural differences can sometimes make it hard to settle down there.

So which is the best tax system in the world to emigrate to?

There is no one answer, since it depends on the individual and your own preferences.

Independent of the specific tax system, you should choose a country without CFC rules (or tax at source) from which you can manage your business without taxes or any complications.

Non-dom States offer freedom from a tax burden and relatively easy immigration, but they also bring with them a high cost of living and the obligation to pay social security.

In countries with territorial taxation, you can sometimes avoid these restrictions, but inevitably they will have worse infrastructure, plus more poverty and crime.

Each option has its advantages and disadvantages (which you can mitigate by keeping your tax residence in one place and your real residence in another), but you should also pay special attention to safety, quality of life, and immigration costs.

You can learn more about the characteristics of specific countries on the Tax Free Today blog, where we analyse residence possibilities in a whole range of States, on both the personal and business level.

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List of European countries without CFC rules

- Andorra
- Belgium
- Bosnia
- Bulgaria
- Cyprus
- Croatia
- Georgia
- Netherlands
- Luxembourg
- Montenegro
- Romania
- Slovakia
- Czech Republic

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Keys to choosing where to set up your company

Here are the key points to remember when choosing the location and type of company for your business:

1. If you want to set up a company abroad, check whether the country where you have your tax residence allows you to create companies abroad to benefit from the tax advantages there. The question is: are there **CFC rules** in your country of residence?
2. It's important to take **tax at source** into consideration. In some cases, you also have to pay taxes on income via the dividends you introduce into the country from foreign companies (as established by the double tax agreements).
3. There are roughly three taxation models: **residence-based taxation**, where you pay taxes on income earned all over the world; the **non-dom system**, where you pay taxes in your country of residence and on any money introduced; **territorial taxation**, where you pay taxes on income in the country you live in; and countries with **no direct taxes**. You must always account for the taxation model in the country where you have your tax residence.
4. If you want to establish a company abroad, and the country where you have your tax residence uses residence-based taxation, check the **double tax agreement** to find out where you'll be taxed.
5. Does the type of company you want to establish have limited **responsibility**, or will you have to answer for any problems with your personal assets?
6. If it could be a beneficial move for you, will it be cheap to take out the **private insurance** you want for your company?
7. The two options you have for taking money out of your company are through **salary** and **dividends**. To decide on the best option for you, you have to bear the law in mind, both in the country that houses your company and the one where you have your tax residence.
8. Many countries offer **different tax rates on dividends**, depending on whether you receive them from foreign or local companies.
9. It's essential to be aware of the tax burden from **corporate tax** (on the company's income and profits) and **social security contributions** when you pay via salary.
10. The VAT rate is also something to bear in mind, especially if you work with private clients. This rate raises the price of your products or services and forces you to charge less for them.
11. Company regulations and administration. Can the **administration** of your company be carried out through the internet? Is it simple? What special **regulations** are there in the country? You may have to sign up to a commercial

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registry, census, association, or trade union, pay an additional rate depending on your sector, or carry out certain procedures according to the products and services you offer. You'll probably have to provide annual balance sheets and quarterly reports, but are external audits also compulsory, for example?

12. **Cost and conditions** of **establishing a company** there. Is it a simple process? Do you need an agency? Is it mandatory to have a partner or administrator in the country? How much does it cost to set up a company, and what are the necessary procedures? Do you have to carry everything out in person?
13. **Initial deposit.** How much money do you have to pay into your company for its incorporation, and under what conditions?
14. Is there a **public register** that you appear on as the owner of the company?
15. Are there annual expenses for **maintaining the company**? How much do agencies and tax advisors generally charge for keeping accounts or closing the books every year? Are there any additional charges? Are there special rates you have to pay to the Administration to maintain your company?
16. If you need employees (are you sure you can't outsource the jobs?), you have to bear the country's **labour laws and regulations** in mind. What are the conditions for recruitment? What are the costs? What are salaries like in the country? Can you sack your employees when they have no work to do?
17. The **safety** and **reputation** of the country. This is especially important when you have a B2B business and you depend on your work with other companies, whether these are providers or clients, and whether your company provides or contracts services. If these other companies can't claim tax relief on your invoices, they may not want to work with you.

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18. The possibility of opening **bank accounts** for businesses. Do you have to go personally to a branch to open an account? Are there any procedures you have to follow? Can you open the type of account you need? What are the charges for services and operations? Do you have access to accounts with the type of currency you need for your business?
19. The possibility of accessing the **payment services** you want to use, such as Stripe and Paypal.
20. Where do you want to sell? Do you have **access to the market**? (European tax identification number, or anything else you may need.)

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List of the best places to take up residence in

You can find below a list of the best places to take up tax residence in. Bear in mind that the best country for you will depend on your tastes, situation, type of income, and available funds.

Residence-based taxation

Your global income is taxed and you have to pay social security in the country. As long as there are no CFC rules, you can establish and manage companies abroad with no complications. If these laws do exist, you may have to bear certain requirements in mind, such as opening subsidiaries and local offices that justify the existence of your foreign company.



Lithuania

15% fixed tax rate



Estonia

20% fixed tax rate



Bulgaria

10% fixed tax rate



Montenegro

9% or 13% tax rate



Slovakia

19% fixed tax rate



Croatia

19% tax on dividends

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Andorra

10% fixed tax rate



Isle of Man

20% fixed tax rate with a limit of €100k



Russia

13% fixed tax rate



Chile

You can have 4 years of tax exemption on foreign income



Switzerland

Flat tax, depending on the local council



Uruguay

You can have 5 years of tax exemption on foreign income

Characteristics:

- for people with either large or limited income
- also suitable for salaried work (employees)
- immigration is quick and simple

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The non-dom system

There is no tax on foreign income, as long as it isn't introduced into the country. Any money brought in is subject to progressive taxation. Contributions to social security are paid on any domestic or foreign income introduced. You must introduce (and pay taxes on) a minimum monthly sum of money to cover living costs.



United Kingdom

Residence is easy to obtain for EU citizens



Ireland

Residence is easy to obtain for EU citizens



Malta

Residence is easy to obtain for EU citizens



Thailand

Stays permitted through the Thai Elite Visa



Mauritius

Different categories



Trinidad and Tobago

Permanent residence in the Caribbean

Characteristics:

- perfect for internet entrepreneurs
- not advisable for professional traders (due to taxation of domestic income)
- accurate taxation can become complicated

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Territorial taxation

Income earned in other countries is tax-free, even when introduced into the country. Only domestic income is taxed. Often involves a minimum tax-exempt allowance. No contributions to social security on income earned abroad.



Philippines

Special visa for resident retirees (SRRV Smile Classic)



Malaysia

€100,000 investment necessary to obtain the MM2H visa



Taiwan

Plus Blossom APRC programme (visa for foreigners)



Nicaragua

Visa for permanent residence with a €30k investment



Panama

Residence visa for partner countries



Costa Rica

Annual investment of €60k for two years



Georgia

Minimum 183-day stay with no additional requirements



Paraguay

Bank deposit of just €5k



Namibia

Introduction of €88k over three years

Characteristics:

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- ideal for internet entrepreneurs
- perfect for investors and traders
- also suitable for people with limited income

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Countries without direct taxes

Neither taxes nor social security are paid. Living costs are generally quite high. These States finance themselves through indirect taxes and tariffs.



United Arab Emirates

Residence with a company in the free trade zone. Company costs: €12k



Monaco

Expensive housing and minimum stay for EU citizens



Bahamas

Residence with purchase of a house

Characteristics:

- perfect for business owners with physical companies
- only suitable for people with high income

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List of the best places to set up a company in

You can find below a list of the best places to set up your company in. Each place has its advantages and disadvantages, so you always have to bear the type of business you're going to develop in mind.

[Note: there are generally two figures, the first being company costs during the year of foundation, and the second those over the following years.]

Limited companies (inside the European Union)

Advantages	Disadvantages
Good reputation and recognition; compatible with Paypal and Stripe; access to affordable SEPA bank accounts; often low-cost.	For businesses with lower income; VAT withheld; accounting costs; potential for audits; regulation; public register; no anonymity; requires initial investment of capital.



United Kingdom

The original – 10% tax after Brexit.

250€ / 150€



Estonia

Deferred taxation and e-residence.

Flat fee of **40€ to 80€** with LeapIN



Bulgaria

The lowest administration costs in Europe.

600€ / 400€

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Lithuania

5% tax up to €200k turnover.

400€ / 200€



Netherlands

Attractive options for holding companies.

500€



Slovakia

19% tax in total (varying according to tax residence).

600€ / 400€



Ireland

Popular for legal tax avoidance.

6,000€ / 4,000€



Cyprus

Tax-free for traders and investors.

6,000€ / 4,000€



Malta

Only 5% corporate tax.

6,000€ / 4,000€

Suitable for:

- companies with B2B services
- Amazon FBA, imports and exports
- digital products on the EU market
- holding structures
- trade and services for EU residents with permanent subsidiaries

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Limited companies (outside the European Union)

Advantages	Disadvantages
Tax-free in part; good reputation and recognition; beneficial regulation; access to good business accounts; compatible with Paypal.	Accounting; potential for audits; high costs; limited anonymity.



Montenegro

Affordable start-up, 9% tax rate.

22€ / 200€



Georgia

Deferred taxation at 15%.

900€ / 500€



Israel

Tax-free in Israel.

3,500€ / 2,000€



Hong Kong

Tax-free in East Asia.

1,800€ / 3,000€



Labuan (Malaysia)

Fixed tax rate of 3% or 6,000€ a year.

1,500€ / 2,000€



Singapore

Tax-free and excellent reputation.

5,000€ / 3,000€

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United States

Affordable, anonymous, and discreet companies with 15% tax.

1,100€ / 500€



United Arab Emirates (free trade zone)

Tax-free with residence visa.

13,000€ / 8,000€



Isle of Man

No requirement to withhold VAT, but includes European tax identification number.

2,500€ / 2,000€

Suitable for:

- consulting businesses
- online businesses
- companies with B2B services, sales outside the EU
- imports and exports
- investment and trading
- administration from countries with high tax burdens, dependent on double taxation agreement

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Free trade and special zones

Advantages	Disadvantages
Low taxes; good reputation and recognition; beneficial regulation; access to good business accounts; compatible with Paypal.	Accounting and audits; high costs; requires large initial investment and recruitment of local employees; no anonymity.



Canary Islands (ZEC)

4% tax and all the advantages of an EU company, but no European tax identification number.

2,500€ / 1,000€



Madeira

5% tax, includes European tax identification number.

2,500€ / 1,000€



Curaçao

2% tax in the e-zone.

2,500€ / 1,000€

Suitable for:

- companies with B2B services
- Amazon FBA, imports and exports
- digital products for the EU market
- holding structures
- trade and services for EU residents with permanent subsidiaries

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Limited partnerships (LPs) in Europe

Advantages	Disadvantages
Tax exemption on foreign income; no minimum capital investment required; good reputation and recognition; compatible with Paypal; access to good business accounts.	Requirement to withhold VAT; accounting and audits; regulation; high costs; no anonymity.



United Kingdom (LLP)

Tax exemption on income from outside the UK.

300€ / 100€



Netherlands (CV)

Tax exemption on income from outside the Netherlands.

5,180€ / 3,220€



Denmark (K/S)

Tax exemption on income from outside Denmark.

5,240€ / 2,780€

Suitable for:

- companies with B2B services
- Amazon FBA, imports and exports
- digital products for the EU market
- international trade and services

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Limited liability companies (LLCs)

Advantages	Disadvantages
No tax on foreign income or accounting requirements when tax-free. No requirement to withhold VAT; good reputation; registered under the name of the company; no initial minimum investment; compatible with Paypal.	Limited access to bank accounts; limited anonymity; potential for high costs.



Wyoming (US)

Affordable start-up through the internet (without bank account).

150€ / 100€



Delaware (US)

LLC with bank account.

1,500€ / 550€



Canada

Tax exemption on income from outside Canada.

2,700€ / 1,620€

Suitable for:

- services for individuals
- freelancers
- online businesses anywhere in the world
- consulting businesses

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International business companies (offshore companies)

Advantages	Disadvantages
Tax-free; no accounting; no regulation; no public register; no initial minimum investments; high anonymity.	Bad reputation and limited recognition of invoices; few options for bank accounts; no access to Paypal.



Nevis

The best option for protecting your capital.

900€



Marshall Islands

For discreet companies abroad.

1,500€ / 1,300€



Saint Vincent

Bearer shares and optional 1% tax.

1,400€ / 1,200€



Brunei

A little-known, discreet option.

1,500€ / 1,000€



Ajman (UAE)

The most affordable option in the UAE.

2,000€ / 1,500€



Ras al-Khaimah (UAE)

Prestige and banking in Dubai.

2,600€ / 2,000€

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Panama

Confidentiality and stability.

1,500€ / 550€



Costa Rica

Unlicensed gambling.

1,780€ / 1,050€



Bahamas

The Caribbean option with a good reputation.

2,100€ / 1,050€

Suitable for:

- online businesses
- holding structures
- passive income
- investment and trading

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Transferring your residence

Finally, let's examine the steps you have to take to transfer your (tax) residence. Bear in mind that the simplicity of this process depends on your nationality and where you live.

If you live in a country where you can **deregister at the tax office** with no complications (like in Germany), this will be your first step. If you live in a country like Spain, where you can't deregister from the taxpayers' register by directly informing the tax office that you're leaving the country, transferring your residence will be more complicated (unfortunately, removing your name from the list isn't enough).

Whatever your case may be, to transfer your residence, you'll need to start by **relinquishing your house**. If this is your own property, you can rent it out (with a lease); otherwise, you can simply cancel your contract.

It's essential that your **family** moves abroad with you. Very few countries allow you to change your tax residence if your partner and children continue living in the country of origin.

Economic interests can also be a problem when deregistering at the tax office. Depending on your country, if all of your income originates from there, you may still be required to pay taxes.

Moreover, you have to deregister your **car**. If you want to bring it with you, you'll have to register it in another country.

If you want to avoid problems, deregister from any **services** and **subscriptions** that could be used to imply that you still live in the country.

There's no need to deregister your **bank account**, but make sure to provide the address of a friend or family member so important mail (e.g. credit cards) can be redirected.

Of course, it's advisable not to spend too much time (never more than **183 days**) in the country you have deregistered from. It's always difficult to predict where possible headaches can come from (inspections, former business partners, exes, neighbours, etc.).

Conclusion

That's the end of this e-book. You now have a general understanding that can help you choose where to go, where to set up your company, and how to deregister in your country (if necessary) so you can start making a move.

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There's much, much more information on this topic at Tax Free Today, so if you haven't subscribed yet, this is a good time to do so. It's free, and you can cancel your subscription whenever you like.

Subscribing to Tax Free Today you will receive once or twice a month exclusive content in your inbox, including our analyses, advice, and information for entrepreneurs, digital nomads, savers, traders and investors.

Of course, if you have any questions or want to find the best solution for your specific situation, you can book a consultation with Staatenlos here.

Oh, and if you know any entrepreneurs, savers, digital nomads, or investors who may be interested in this e-book, then share it with them: it's here to be read! One of our main goals at Tax Free Today is to share our knowledge, so that more and more people can free themselves from the heavy burden of the State.

We'll leave you with a quote from Ronald Reagan:

"The government can't fix the problem. The government is the problem."

And one that sums up the Staatenlos philosophy:

"Your life is yours"





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