

Transnational relocation: Critical issues to consider before you board the plane and how CPA advisors can help you navigate the transition

By **Christopher K. Braun, MBA, JD, LLM**
Baker Tilly, Partner - International Estate and Trust Planning

Moving across a border, to retire or to take up a new career position, can be a very tricky endeavor indeed. Beyond the realities of a new culture, norms, language, and geography, a relocated individual faces many tax, legal, and personal financial planning challenges. The management of these challenges can make the transition smoother, more economically efficient, and create peace of mind. CPA firms (and our international counterparts in chartered accounting firms) are uniquely positioned to provide and/or coordinate these critical services.

Some of the more strategic issues facing a person can be summarized as follows:

- 1. Wills and testaments.** When you move from your home country to a foreign country, your last will needs to be updated. You have become a resident of another country that may have different death or transfer tax rules. These new rules may need to be incorporated into your new last will to make it tax effective. Further, you should make sure that such selections as guardians of minor children and trustees made in your existing or revised last will are to be respected by your new residence country and that your existing or revised last will is viewed as validly executed under the laws of your new country. Competent legal counsel needs to be obtained to sort these issues through, and the services of a globally focused accounting firm can be critical in obtaining and coordinating these services, particularly from a tax perspective.
- 2. Tax compliance.** In many situations, a move to a foreign country will not sever your requirement to file an annual tax return with your former residence country and to report your worldwide income in that country. Further, your new residence country will be seeking a compliant tax return and tax payments on your income as well. It is thus essential that you acquire accounting tax professionals schooled in tax compliance issues of both your new residence country and your old residence country to assist your navigation of this complex field of filing multiple tax returns in differing jurisdictions.
- 3. Tax planning.** If you have income besides the income from your employment in your new residence country, it is essential that you contact a competent tax advisor to analyze the cross-border tax implications of having income arise in sources outside your new residence country. That income (e.g., foreign dividends, foreign interest on bank accounts, trade or business income, stock option income on shares earned before arrival in your new residence country, inheritances, etc.) may be taxed in not only the source country but also in both your former and current residence country. Complex foreign tax credit schemes exist to reduce potential double or triple taxation, but the services of an international tax planning accountant are required to solve this puzzle.
- 4. Property schemes twists and turns.** You need to be aware of the differences in the property schemes between your old residence country and your new residence country. For instance, moving in and out of “common law property jurisdictions” (e.g., UK, US) into “community property law jurisdictions” (e.g., France, the Netherlands) has serious consequences on the titling of property and assets you acquire in your new residence country within the marital context as well as on the totality of the property you bring with you to the new residence country. Competent legal counsel needs to be obtained to sort these issues through. Marital property agreements may be required to clarify these issues. CPA and chartered accounting firms can be helpful in valuing property for marital purposes and in the creation and maintenance of personal and marital balance sheets determined under local property law rules.

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- 5. Social security legislation payments.** If you move to a new jurisdiction for less than five years, and you have been secunded there by a domestic employer in your old residence jurisdiction, it may be possible to avoid contributions to the social security network of your new residence jurisdiction and continue to contribute to your old residence country's social security network. This allows you to "totalize" or "maximize" your expected government pension payments at retirement. Chartered and certified accountants can create analytical tools (such as spreadsheets) to help you determine which contribution choice (i.e., home country or new country) is right for you based upon their detailed understanding of localized governmental contribution limits and benefit programs.
- 6. Private retirement plans and payments/contributions.** In addition to the above mentioned government pension payments, virtually every country has a whole host of private pension schemes that employees may participate in and/or contribute to after arrival in the new residence country. Further, many countries of former residence will allow participation and funding of private retirement plans by citizens or residents after they leave for certain periods of time and under certain rules. Thus, it is essential that you plan to maximize your private retirement plan benefits and contributions on a global basis during your stay in your new residence country. The services of expert retirement planning specialists are essential to achieve this global long-term personal financial planning goal. Such specialists are often found in accounting firms.
- 7. Personal financial planning.** Arriving in a new country can be stressful even without having to worry about the best way to finance a home or a car purchase after you get there. Buying personal wealth accumulation products (such as life insurance or annuity products) was complex enough in your old residence country, much less trying to understand the significant differences in those products being offered by purveyors in your new residence country. Between countries, the deductibility of interest payments for tax purposes varies greatly as do the length and terms of mortgages and large purchase loans such as automobile loans. Life insurance and annuity products vary greatly from one jurisdiction to another as to internal charges and rates of return possible or guaranteed. Done improperly, these hard asset and financial asset purchases can have disastrous financial effects on one's life. Private banking services are also available in many countries which offer preferred rates, products, and terms to certain higher wealth persons. Professional accountants in your new residence country are uniquely situated (through their highly developed relationships with local financial, insurance, and annuity institutions and through their financial analysis capabilities) to guide you through this complex process to minimize the total cost of living in your new country, while maximizing your private accumulated wealth during your new residency period.

While the above list is not exhaustive, it highlights the absolute necessity for pre-exit and preentrance planning from and to differing jurisdictions. A long-term relationship with an accounting advisor can be the key ingredient to successful completion of a transnational relocation.