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According to the US Treasury Department, around 3,415 Americans renounced their citizenship in 2014, up from 2,999 in 2013 and more than three times the number in 2012. Most of those relocating move to Switzerland, according to an HSBC bank survey.

WASHINGTON (Sputnik) — The Foreign Account Tax Compliance Act (FATCA) requiring US citizens living abroad to pay taxes in the United States is the main reason why more and more people are renouncing US citizenship, experts told Sputnik on Wednesday.

“FATCA is the main reason renunciations are growing,” Chief Economist at the Tax Foundation William McBride said. “No other developed country has such a worldwide system.”

According to the Treasury Department, around 3,415 Americans renounced their citizenship in 2014, up from 2,999 in 2013 and more than three times the number in 2012. Most of those relocating move to Switzerland, according to an HSBC bank survey.



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Experts agree that the FATCA of 2010 is a significant factor that catalyzes the process.

With the passage of FATCA, the Internal Revenue Service (IRS) has enlisted the help of foreign banks to inform US citizens, no matter where they reside, that they are required to pay tax on their worldwide income, Founder at Brager Tax Law Group and a former Senior Trial Attorney for the Internal Revenue Service's Office of Chief Counsel Dennis Brager explained to Sputnik.

"Those [foreign] banks have been actively notifying their clients of these requirements, and some of those clients who were not fully aware of their responsibilities are now reacting by giving up their U.S. citizenship," Brager said.

Possible complications, caused by FATCA, include probable additional taxes and potential restrictions on future entry into the United States, expert added.

"In my experience many of the clients seeking advice about expatriation, are dual nationals who are living abroad, and who have been holding onto their U.S. citizenship as a sort of insurance policy," Founder at Brager Tax Law Group Dennis Brager said. "That insurance is now becoming too expensive for some."

International law professor at the University of Illinois College of Law Francis Boyle pointed that it is illegal in the United States to have undeclared offshore accounts.

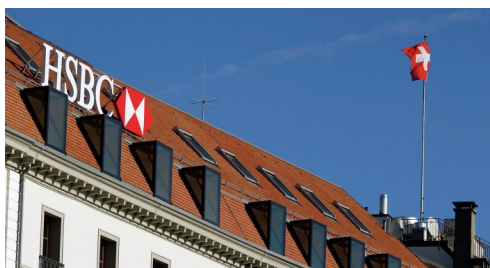
"We have large numbers of people here in the United States of America who do not pay their taxes as a matter of principle, because they do not want to finance wars," Boyle said. "Those who live there in Switzerland, it's just greed. They don't want to pay their fair share to what this country has given to them, and I have no sympathy for them," he added.

Earlier this year, IRS announced opening of the International Data Exchange Service (IDES) that could be used by financial institutions and tax revenue authorities in host countries to report information on US citizens' financial accounts. According to the IRS, over 145,000 financial institutions have registered through the agency's FATCA system and more than 110 corresponding intergovernmental agreements have been signed «or agreed in substance».

The IDES works through a web application where the sender encrypts the data and the IDES then encrypts the transmission pathway so that the data transfers are protected.

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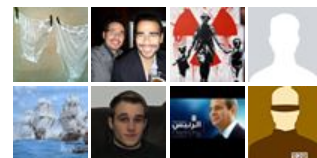
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