

A place in the sun: TCI residency for the affluent expatriate

1. Introduction

Almost a decade ago, the then US vice-president Al Gore spoke, rather fancifully it seemed at the time, of the coming “information superhighway”. The term already sounds old-fashioned: it has a 90s ring to it, and nothing dates as much as the recent past. Nevertheless, it is undeniable that Mr. Gore’s superhighway has come about and that the vehicles of international trade and commerce are racing along it at an ever-quicker pace.

One of the interesting by-products of the technological revolution has been that a person’s place of residence is no longer critical to his ability to manage his investments or to oversee his business. Escape from the grey skies, clogged traffic, and polluted air of northern financial and industrial centres is no longer just a retirement dream.

Competition for the attention of the relocating international high net worth individual (or HNWI) is intense, with many jurisdictions holding themselves out as being the ideal locale. The Turks and Caicos Islands (TCI) has been particularly successful in wooing international investors in ever-increasing numbers in recent years. The result has been a booming real estate market for high-end villas and condominiums, spin-off investments like high-end boutique hotels, a ready source of private client work for the local legal and financial industry, and the fastest growing economy in the Caribbean for several years running.

2. Why TCI?

In their choice of idyllic international retreat, there are a plethora of factors to be considered by expatriating HNWI:

(a) Taxation, Currency and Exchange Control

Most countries (with the notable exception of the US) tax on a residency basis. If you live in the country for more than 183 days a year, you are tax resident and are liable to pay tax locally on your worldwide income. When there are many congenial retreats to choose from, most HNWI will choose one without tax complications. TCI is a zero tax jurisdiction with no direct income, inheritance or capital gains taxes. Such tax as there is is indirect, with government revenues primarily coming from revenues from offshore finance, stamp duty on real estate transactions and customs duty.

Currency and exchange control are also relevant factors. Utopia may be tax-free but if its currency is the Utopian lev and conversion to US\$ requires central bank consent, it’s no paradise for the expatriating HNWI. The currency in TCI is the US dollar and there are no exchange control regulations or restrictions on capital outflow.

(b) Communications

Most HNWIs need to be able to maintain ready contact with their senior managers and executives, their brokers and advisers, and to have full online access to their onshore HQ: to do so, they need to be able to use Mr. Gore's superhighway. Good telecommunications are essential. TCI has excellent telecommunications, currently provided by Cable & Wireless, the UK multinational. The cost of service has been expensive but has fallen rapidly in recent years and is expected to fall considerably further: the TCI government and Cable & Wireless have recently announced that the firm's monopoly is to be broken. High-speed internet access is readily available, and the territory is part of the Arcos regional fibre optic loop. The mobile/cellular telephone system is modern and efficient and it is expected to become dramatically cheaper when a second mobile telephone licence is granted later this year.

(c) Airlift

Being stranded on a strip of sand may sound romantic but it's not much good for business. Many successful entrepreneurs are hooked on meetings. An island which might otherwise be ideal but where the only flight comes in on Tuesdays and Saturdays and take four legs to reach New York, London or Frankfurt, is not really as ideal as it seemed at first blush. TCI has three daily American Airlines jet service flights to Miami (a major international hub) as well as direct jet service to New York, London, Charlotte, Toronto and, in the winter season, Boston and Atlanta.

(d) Climate and Environment

Faced with a climate/environment choice between the grey mists of (say) Manchester and the blue skies and turquoise waters of TCI, most expatriating HNWIs who are still in possession their wits would choose TCI.

Coming late to the tourism business, the territory has learnt from the mistakes of its neighbours and competitors. The recent surge in development has been high-end, low impact, strictly controlled and environmentally friendly.

(e) Security and Stability

Many tropical places have decent communications, low taxation, good airlift and a nice climate but a HNWI won't be attracted if he discovers that the seemingly democratic government was a military dictatorship five years ago or that he has to have bars on the windows of his oceanfront villa. TCI is stable British overseas territory. Police and security falls within the area of responsibility of the Governor, the British Government's representative in the Islands, and the territory has one of the lowest crime rates in the Caribbean.

(f) Foreign ownership of real estate

In the world of the expatriating HNWI, a man's villa is his castle. Persons of wealth and stature like to have homes which reflect that. The chosen retreat, therefore, ought not to be a country where foreigners are not freely entitled to own real estate and build homes. The imposition on foreigners of a

requirement to obtain an alien land-holders licence or of onerous property taxes is a triple deterrent:

- i. the bureaucracy involved in acquiring a property is objectionable;
- ii. those requirements are a significant impediment to liquidity in the local real estate market;
- iii. in some jurisdictions and territories, such requirements seriously limit the stock of luxury homes of the type which appeals to the relocating HNWI.

One of the reasons for the rapidly-expanding economy in TCI has been the complete absence of any restrictions on the holding of land by foreign nationals and of property taxes other than the once-off stamp duty payable on acquisition of the property in the first instance.

(g) Geography

A country might offer all of the other items on an expatriating HNWI's wish list but unfortunately find itself in the wrong location. Thus, whilst TCI might not be attractive on that account to the owner of a Japanese finance house or of an Australian software company, its location and accessibility are a major attraction to US and Canadian nationals (particularly since September 11) and, increasingly, to Europeans.

(h) Supportive Government

The final piece in the jigsaw is the need for a supportive local government. Unless a jurisdiction has government policies which favour inward migration by foreigners and which provide them with the security they need under the applicable immigration rules, most HNWIs are not interested. Since the early 1990s, the TCI government has had an open-arms foreign investment policy and has enacted immigration rules which, whilst safeguarding the position of the indigenous population, have also encouraged the relocation to TCI of many foreign HNWIs, primarily from the US and Canada but, increasingly, from Europe.

3. Immigration Status

a. Yearly residence

The most popular form of TCI immigration status for expatriating HNWIs is yearly residence. This status is readily obtainable by persons fulfilling the local good health and good character requirements and who own or have available for their use a villa or a condominium in the islands. Such residency is easily renewable on an annual basis although, if desired, it can be obtained from up to three years at a time. Many HNWIs have been living in TCI for years on the basis of continually renewed annual residency permits.

b. Permanent residence

Greater security of tenure is offered by a permanent residency certificate or PRC. There are several categories in which a PRC can be obtained, but the expatriating HNWI will be interested in two:

- Through investment of US\$500,000 in a villa or condominium on the main island of Providenciales or its outlying cays (\$125,000 on the other islands in the archipelago)
- Through investment of US\$500,000 in an enterprise on Providenciales or its outlying cays with respect to which the government has made a development order under The Encouragement of Development Ordinance (\$125,000 on the other islands). A development order is an order of government granting customs duty and concessions regarding future taxation (if any) to a developer.

Both categories are subject to good health and good character requirements, and the first step in each application is to apply for an undertaking from the Governor that if the specified investment is made, the PRC will be granted.

The PRC process is slow and so it is recommended to most expatriating HNWIs that they apply in the first instance for year-to-year residency which (though not free from occasional bureaucratic delays) is a lot quicker.

4. Conclusion

There are many attractive retirement and expatriation destinations in the world but few with TCI's full slate of plus points. The territory's dramatic economic growth in the last ten years, with its preponderance of high-end environmentally conscious development, is a continuing reward for TCI's enlightened taxation, inward investment and immigration policies and for its considerable natural charms.

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