

Tax-free living: Belize's new retiree law is one of the best programs on offer

by Joel M. Nagel

In the middle of last month, Belize's new "retiree" legislation became law - offering what is arguably the most attractive incentive programs anywhere for foreign retirees. If you're looking for tax-free living, put Belize at the top of your list. The law aims to "encourage and promote the inflow of foreign capital into Belize by offering certain tax exemptions and incentives to Qualified Retired Persons..."

It's a win-win situation for you and for the Belize government. Similar to Costa Rica's now-defunct pensionado program, the new Belize law targets North American and UK nationals who would spend part or all of the year in Belize, maintain a residence there, and bring their hard-earned dollars to spend in the local economy.

Unlike other immigration programs, this one falls squarely under the authority of the Ministry of Tourism, which is working in conjunction with the Belize Tourist Board to make the program simple and user-friendly.

Duty-free imports and no local taxes

To entice you to come to Belize, the law allows you as a "Qualified Retired Person" to import your car and personal and household effects duty-free. (Hereafter, you may import another vehicle duty-free into Belize every five years, as long as your previous vehicle is sold, re-exported, or disposed of in an approved manner.) The program will also allow you to import light aircraft, boats, and other modes of transportation without duty, according to Mr. Anthony Mahler, senior product development officer with the Belize Tourist Board, the quasi-governmental agency administering the program. As for household effects, there are no specifications or limitations as to what constitutes such personal property. Only in cases of abuse, such as when an individual tries to import six refrigerators or 10 air conditioners, would the exempt status be denied, according to Mahler.

The new law also exempts completely the Qualified Retired Person (QRP) from the Income and Business Tax Act and from "the payment of all taxes and levies on all income or receipts that accrue to him from a source outside of Belize...whether such income is earned or passive income and whether or not such income is remitted to him in Belize." Essentially, that means that you'll be accorded the same tax-free status granted to International Business Companies (IBCs) and trusts.

Base your business here...tax-free

While you cannot be gainfully employed under the new law, some room has been left for QRPs to start or operate existing businesses under this status. Much like an offshore entity, a QRP cannot do business in the local economy with Belize nationals on a tax-free basis. But you could direct foreign-business activities and operations from within Belize and still maintain your tax-free status.

Given the evolution in the world economy toward e-commerce, "virtual" businesses, and the use of the Internet, it is conceivable that almost any business could operate as a Belizean IBC. And now any qualifying individual can live and work on a tax-free basis in Belize. So it is fair to say that the law is not only for retired people but also for any other qualified individual wishing to lead a "tax-free" life.

If you're a QRP interested in simply managing your own financial affairs, the law is ideal—because neither active nor passive income is subject to taxation under this law. If your assets and ongoing business activities are placed under a proper trust/corporate structure, it may also be possible to eliminate or greatly reduce your U.S. taxes when you live the requisite number of days outside of the United States. (See my article next month on U.S. taxation of Americans living abroad.)

The number of days spent outside the United States and the number of days spent inside Belize are not related, so Belizean QRP status may also be of interest to perpetual travelers and others who spend the year in several locations and who may only infrequently visit Belize.

Low financial threshold to qualify

Possibly the most attractive feature of the new law is the low financial threshold that you must meet to qualify. In many other countries, you have to make a significant financial commitment before you can obtain citizenship, permanent residence, or another status giving you the right to live there permanently. Preconditions range from making large investments or buying expensive homes to putting hundreds of thousands of dollars into long-term CDs or other government financial instruments. The United States, for example, grants a green-card status to any foreigner willing to invest \$1 million into a U.S. business that creates a minimum of 10 jobs. For the privilege of living in the United States, the foreigner must first pay the \$1 million, and then he immediately becomes subject to U.S. taxation on his worldwide income, whether he earns it in Detroit, Berlin, or Kuala Lumpur.

In Belize, You'll find very little "fine print" and few strings associated with the offer. As a QRP, you must show a monthly income of US\$2,000 or arrange to deposit on or before the April 1 deadline each year \$24,000 for your own general maintenance and support. You or your spouse must be at least 45 years old, and you should plan to set up an address in Belize. Minor children under 18 who are your dependants automatically qualify.

Few strings attached

There is no requirement that you buy property, invest in business, create jobs, or loan your money to the government on interest-free terms. You may seek professional assistance with the process, but it is not required. I'd advise you to act quickly if you're considering applying for QRP status. Insiders tell me that a ceiling of approximately 20,000 applications will be allowed before the program is closed to new applicants. This could take several years, as it did in the case of Costa Rica, or it could happen in as little as one year, depending on demand.

The program officially opened for business in mid-September 1999, and International Living is the first publication to report on it. As a QRP under the new Belize law, you can essentially be as active or inactive as you wish. Whether you direct your portfolio on-line, engage in international business, write a column for International Living, or spend your days fishing, diving, or reading a book in a hammock, I think Belize may prove just the right address for perfect tax-free living.

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A permanent "virtual" presence in Belize

If you're interested in taking advantage of Belize's new retiree law immediately but are not yet ready to establish your own residence there, a new program may be of interest to you. Two Belizean companies, the Georgetown Trust Company and Exotic Caye Beach Resort Ltd., have formed a turnkey package that, for as low as \$100 a month, gives North Americans and UK nationals a permanent "virtual" presence and address in Belize.

The service includes an address, a phone, fax and E-mail services, mail forwarding, and discounts at a Caribbean resort for both short and extended stays on Ambergris Cay. Additional services include bill-paying services, assistance with driver's licenses, and trust and other financial-investment services. Georgetown can also help process your initial QRP application.

As the law is currently written, there is no minimum number of days a "retiree" must spend in the country in order to keep his QRP status. However, Anthony Mahler, who is currently responsible for the legislation, says that the act is likely to be amended to stipulate that a QRP spend a minimum of two weeks per year in the country.

For more information, contact Mark Leslie at Georgetown Trust, tel. (501)14-8005, E-mail: Mleslie@btl.net; or contact Mike Cobb at Exotic Caye Beach Resort's Playador Hotel; tel. (501)26-2870, E-mail: Playador@btl.net.
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