



Written by [Alex Newman](#) on May 15, 2012

Facebook Co-Founder Saved Big Money Giving Up U.S. Citizenship

Facebook co-founder Eduardo Saverin (left) is [expected](#) to save hundreds of millions of dollars or more on his tax liabilities after becoming one of the more high-profile individuals to [renounce U.S. citizenship](#) in recent years. The Brazilian-born multi-billionaire now lives in Singapore, where the government [does not impose](#) capital-gains taxes or take a cut of income earned abroad.



With social-networking giant Facebook ready to launch an initial public offering (IPO) of its stock, analysts have estimated that the company could be worth as much as \$100 billion. That means Saverin, who owns about four or five percent of the company, might be sitting on billions of dollars' worth of assets — a figure that almost certainly would get the Internal Revenue Service (IRS) and the big-spending U.S. government frothing at the mouth.

Of course, even by renouncing his citizenship, Saverin and his wealth did not completely escape Washington, D.C.'s clutches. The U.S. government imposes what is known as an "exit tax" on wealthy individuals before it allows them to permanently sever their ties to the "Homeland." In the case of stocks, according to experts cited in news reports, the IRS treats and taxes them as if they had already been sold before granting anyone permission to permanently ditch Uncle Sam.

While it remains unclear exactly how much wealth the IRS seized from Saverin, tax experts say he made a smart financial move by giving up his citizenship before Facebook's IPO. "Once it's public you can't fool around with the value," Reuven Avi-Yonah, director of the international tax program at the University of Michigan's law school, [told](#) Bloomberg. In the future, the benefits could be even greater as Saverin invests his wealth and it continues to grow.

A spokesman for Saverin did not dwell on the tax-liability issue when contacted by reporters, offering mostly generalities about the decision. "Eduardo recently found it to be more practical to become a resident of Singapore since he plans to live there for an indefinite period of time," his New York-based representative [said](#) in a statement. Another spokesperson later [claimed](#) the timing had nothing to do with Facebook's IPO.

According to the spokesman, Saverin plans to invest in Brazilian and global companies with a particular focus on fast-growing Asian markets. "Accordingly, it made the most sense for him to use Singapore as a home base," the statement said. The move will also allow the multi-billionaire to avoid paying future U.S. taxes while ensuring that his private financial information is not subject to complex IRS reporting



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requirements — not to mention the massive penalties associated with failing to totally comply, even inadvertently.

After the news was reported by Bloomberg over the weekend, Saverin's decision quickly attracted a flurry of headlines around the world, shining the [spotlight](#) on the [increasing number](#) of U.S. citizens opting to take the same route for similar reasons. Last year alone, almost 2,000 people gave up their American citizenship — the vast majority of them to avoid U.S. taxes as well as the increasingly burdensome regulatory and reporting requirements imposed on Americans no matter where they reside. And the trend of [wealthy Americans getting out while they can](#) is accelerating fast.

In 2011, more than twice as many Americans officially severed their ties to the U.S. government as in the preceding years. This year is expected to see record numbers, too. And as the Obama administration and Congress continue stoking anxiety with class-war rhetoric even as taxes on high earners are set to skyrocket, more and more people are considering the option.

"It's a loss for the U.S. to have many well-educated people who actually have a great deal of affection for America make that choice," chief of global tax practice Richard Weisman at Baker & McKenzie in Hong Kong was [quoted](#) as saying. "The tax cost, complexity and the traps for the unwary are among the considerations."

The U.S. government is one of just a tiny number that taxes its citizens no matter where in the world they live or earn money. U.S. citizens abroad are also required to fill out stacks of byzantine IRS documents disclosing all sources of income and all foreign bank accounts. But instead of scaling back the nightmarish regulatory regime, American authorities are taking it even further, ordering all foreign banks and financial institutions to turn over information about U.S. clients by 2013.

The tax situation has become so outlandish and complex that Americans have essentially [become international pariahs](#), according to experts who have been warning about the problems for years. Countless banks around the world are now even refusing to do business with anyone holding U.S. citizenship rather than submit to the IRS's onerous requirements.

Some Americans were sad to hear that yet another billionaire had decided to cut his ties with Uncle Sam. Others were outraged, calling for a boycott of Facebook despite the fact that Saverin had a well-publicized fallout with founder Mark Zuckerberg and is not believed to be much involved with the company anymore. But at least Singapore was happy to have him.

"Saverin making Singapore his home benefits the city-state in multiple ways. Firstly, by investing in Singapore startups, Saverin has created employment primarily for Singaporeans," [said](#) head of operations Satish Bakhda with Rivkin, a company that helps establish businesses in the nation. "This is in line with the Singapore government's appeal for companies to create opportunities for the core Singaporean workforce."

Bakhda expressed hope that more American entrepreneurs and investors would follow Saverin's lead and consider doing business in Singapore. "The United States could take a cue from Singapore's system and avoid further brain drain," Bakhda concluded, referring to a phenomenon that occurs when overbearing governments chase well-educated and productive people out of a nation. "In the meantime, we are optimistic that our tax structure will compel more people to relocate here."

Despite being criticized as authoritarian in many regards, the city-state's government has allowed an almost [unprecedented degree of economic liberty](#) that consistently ranks far higher than in the United States. In fact, a recent [study](#) by the Heritage Foundation known as the Index of Economic Freedom



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showed that Singapore is a close second place behind Hong Kong, while the U.S. continues to sink deeper and deeper in the rankings — with the plunge accelerating quickly under the Obama administration.

“Restoring the U.S. economy to the status of a ‘free’ economy will require significant policy changes to reduce the size of government, overhaul the tax system, and transform costly entitlement programs,” the study’s authors [explained](#). “By boosting growth in the private sector, such freedom-enhancing policies are the best hope for bringing down high unemployment rates and reducing public debt to manageable levels.”

On its current trajectory, the U.S. government has shown no indication of reversing course despite the disastrous and well-documented effects of big-government policies on the economy. Instead, Congress mostly seeks to [spend more, tax more, and regulate more](#) — it is also trying to [export high taxes abroad](#). Incredibly, lawmakers are even working on a bill now that would [trap Americans in the U.S. by revoking their passports](#) over mere allegations of tax debts.

Experts say if something does not change soon, Americans will learn their lessons about economic freedom the hard way. In the meantime, countries like Switzerland, Australia, New Zealand, Chile, Mauritius, Canada, and Ireland — all of which ranked higher than the U.S. in economic freedom last year — will continue reaping the benefits of freer markets.

Those nations might also benefit by attracting the growing number of productive or wealthy Americans seeking new homes under governments with more respect for liberty — along with the jobs they bring with them. While it has not become a stampede for the exits just yet, without significant reform in the near future, analysts say the “brain drain” now starting to hit the U.S. will almost certainly continue to worsen.

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