

# THE PASSPORT PROGRAMME PIONEER

\* by Till Neumann, IMCM, the managing partner at Citizen Lane GmbH in Zurich

St Kitts and Nevis was the first country in the world to establish a citizenship-by-investment programme. The passport that is issued to a citizen by investment is the same as that held by every other citizen. Visa-free travel is one of the many benefits of citizenship by investment of St Kitts and Nevis, opening the door to over 130 countries including the United Kingdom and the other countries of the European Union, Switzerland, Singapore and Hong Kong.

## ECONOMIC DIVERSIFICATION

An applicant can either invest in a government-approved real estate project with a minimum investment of US\$400,000, plus about US\$80,000 of fees, or contribute a minimum of US\$250,000 to the Sugar Industry Diversification Foundation (SIDF), plus fees of about US\$30,000, such contribution being irrevocable.

The only portion of an applicant's investment that may not be refunded is the deposit he pays when he is purchasing an approved property. This is usually 10% of the purchase price of the property and it is usually (but not always) retained by the property vendor in exchange for holding the property for the applicant while his application is being processed. In cases where the balance of the purchase price is held in escrow, this is always refundable if the application is unsuccessful. The applicant never pays the SIDF investment until his application for citizenship is approved.

Other than the deposit on the purchase price, the only amounts that are non-refundable are the cost of the application forms (US\$250 per applicant) and the cost of 'due diligence' (US\$7,500 for the main applicant and US\$4,000 for each dependent who is 16 years old or more, plus the authorised person's fee).

The amount of the investment depends on whether any (and, if so, how many) dependants of the main applicant are included in an application for citizenship. The SIDF donation starts at US\$250,000 for a single applicant or US\$300,000 for a family of four – with an incremental US\$25,000 for each additional person (if more than four) included in the application. The minimum investment for the 'real property' option, as we have said, is US\$400,000. Should the investor not wish to donate to the SIDF (which means that he is making an investment in real estate instead), additional government fees are due.

In the programme's early years some people formed a bad opinion of it because they were uncertain about the things it entailed, but the programme has now been in existence for 33 years and most people have come to realise that the investments that it has brought to the country have benefited it greatly. The SIDF, in particular, funds various programmes that improve the quality of life for everyone on the two islands. Since it was established, the SIDF has invested approximately US\$190,000,000 in national development. For a small country, this

is a considerable sum. All citizens and residents have benefited from the programme in one way or another. For example, it has led to significant investments in the infrastructure and equipment of schools and the repair and construction of roads. It has given young citizens unprecedented access to tertiary education in St Kitts and abroad. Almost all locals approve of it.

## LAWS AND REQUIREMENTS

The islands' citizenship-by-investment programme is governed directly by the *St Christopher and Nevis Citizenship by Investment Regulations 2011*, which sets out the qualifications and requirements for citizenship by investment. The Citizenship-by-Investment Unit or CIU, which oversees the programme and the processing of applications, was established under this law.

Other indirectly related laws are important to the programme. These include many regulatory laws as well as the St Christopher and Nevis Constitution Order 1983, the principle law of the federation, which regulates the various branches of government and guarantees the islanders their fundamental human rights. It is important for our purposes because it also governs the eligibility of the descendants of citizens and others (including investors) to be citizens of St Kitts and Nevis.

There are no new financial laws in the pipeline at the time of writing, but the Government has recently widened the categories of persons who are eligible to apply for citizenship-by-investment and reduced the amount of the investment needed in some cases. These changes have made the programme even more attractive to HNWs.

The CIU ensures that applications are submitted in accordance with the relevant regulatory laws. The citizenship-by-investment programme falls into the category of financial services, so the Financial Services Regulatory Commission sets the rules by which people become eligible to act as 'authorised agents' (professionals who are authorised to handle applications for citizenship). It also sets requirements for background checks and other know-your-client procedures.

The CIU has recently introduced a requirement for authorised persons to carry out 'due diligence' on the main applicant in any application before he submits his application. This has been always a feature of our internal compliance policy at Citizen Lane. Once the application has been submitted to the CIU, the applicant then undergoes a thorough 'duly diligent' investigation by an internationally recognised intelligence information service provider – as has always been the case.

Authorised persons (and members of their staff who handle applications) must be trained to comply with anti-money-laundering and know-your-client processes and are subject to audits by the Financial Services Regulatory Commission.

## COMPETITION AMONG PROGRAMMES

What competitive points does the St Kitts and Nevis regime have in relation to other jurisdictions that offer citizenship by investment? Certain jurisdictions such as Antigua (which has an independent Citizenship by Investment Unit) have well-built programmes, while others around the world have a less stringent application process and less rigorous compliance.

HNWs who use those jurisdictions might suffer because lapses in compliance often lead to bad publicity, forcing major countries to cancel their visa waiver agreements with them.

The competitive differences between the St Kitts and Nevis regime and other non-EU citizenship programmes are as follows.

- The cost of St Kitts and Nevis citizenship is lower than that of Antigua and Barbuda (or, for that matter, the EU programmes);
- There is also no requirement for the applicant to visit the islands. Antigua and Barbuda, by contrast, requires a visit within the first five years if the passport is to be renewed.
- The St Kitts and Nevis programme is well established, unlike the other programmes in the Caribbean which have started in the past two or three years.
- St Kitts and Nevis have a much wider range of approved property developments for an applicant to choose from than any other programme.
- The programme now allows for dependent children of the main applicant or spouse who are up to the age of 30 years old to apply if they are dependent on the parent(s); and for dependent parents of the main applicant or spouse who are 55 years old or over to be included. This includes a much wider age group of children and/or parents.

Other countries are thinking of introducing such citizenship programmes of their own and in general this is a good thing because new competition tends to improve the quality of the programmes. Nevertheless, the market is limited and it seems unlikely that all new programmes will achieve sufficient success.

In St Kitts and Nevis there are no wealth, gift or personal income taxes (local or worldwide). There is no Capital Gains Tax, except in cases where the asset in question is resold within one year of it being acquired. There is also no tax on inheritance by immediate family members.

*\* As a leading boutique consultancy and law firm, Citizen Lane focuses its efforts on investor migration and offers meticulous citizenship and residence planning for ultra-high-net-worth individuals. Our broad network in Cyprus enables us to offer off-market investments in business and real estate. Citizen Lane is a member of the Investment Migration Council, the industry's leading association. We look forward to receiving your inquiry on cyprus@citizenlane.ch www.citizenlane.ch*