

Renouncing U.S. Citizenship

A Comprehensive Guide

taxadvisorypartnership.com

The logo for tap tax advisory partnership is located in the bottom right corner. It consists of a teal circle containing the word "tap" in a large, white, lowercase, sans-serif font. Below "tap", the words "tax", "advisory", and "partnership" are stacked vertically in a smaller, white, lowercase, sans-serif font.

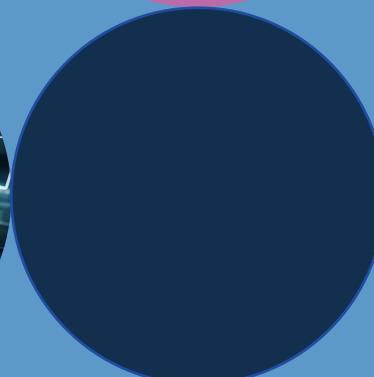
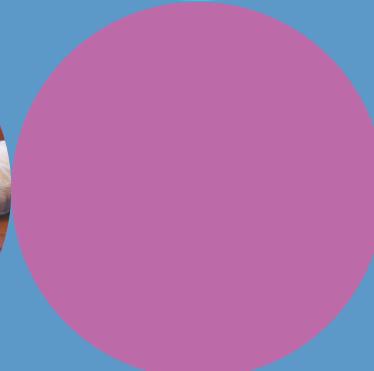
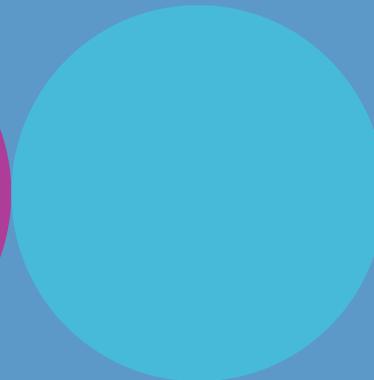
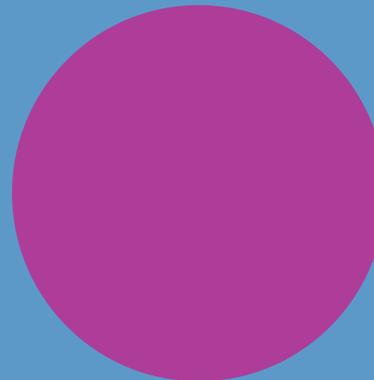
tap
tax
advisory
partnership

Welcome

Living abroad as a U.S. citizen can create ongoing tax and compliance challenges that are often complex and expensive to manage. For many individuals — from long-term expatriates to so-called “accidental Americans” — the obligations may outweigh the benefits of retaining citizenship.

Renouncing U.S. citizenship is a significant and irreversible step. This guide is designed to help you understand the legal, financial, and tax consequences involved, and to walk you through each stage of the process. From meeting the eligibility requirements and preparing documentation to filing your final U.S. tax return, our aim is to provide clarity and confidence as you consider your options.

At Tax Advisory Partnership, we specialise in guiding clients through cross-border tax matters. With experience supporting U.S. citizens based overseas, we are well placed to help you navigate compliance requirements, minimise risks, and achieve a clean break from the U.S. tax system — allowing you to move forward with certainty and peace of mind.



Contents

4 What we do

- 5 How we work
- 6 Our core values

7 Renunciation Process

- 8 Renunciation Process Overview (1)
- 9 Renunciation Process Overview (2)

10 Tax Implications & Compliance

- 11 Understanding Your U.S. Tax Obligations
- 11 Five-Year Compliance Rule
- 12 The Exit Tax Explained
- 12 Final Tax Return and Form 8854

13 Special Cases & Relief

- 14 Accidental Americans & IRS Relief
- 14 Exceptions, Relinquishment, and Special Considerations

15 Financial & Legal Considerations

- 16 Costs, Taxes, and Government Fees
- 16 Impact on Benefits and Avoiding Legal Pitfalls

17 FAQs

- 18 FAQs (1)
- 19 FAQs (2)

20 Our fees

21 Contact us



What we do

Tax Advisory Partnership is a young and vibrant specialist tax firm, which brings together a wealth of wide-ranging experience and expertise in all areas of UK and US tax advice and compliance.

From our offices in The City of London and Leeds, we are able to provide a comprehensive range of taxation services for private clients, businesses and trusts.

Our private client team specialise in international tax matters with a particular focus on the tax issues faced by non-domiciled, non-resident and expat taxpayers.

Our US team advises US Persons on their often extensive US tax filing responsibilities, with a particular focus on individuals who may not be aware that they even have an obligation to file annual returns (Accidental American's).

Our corporate tax team assists a wide range of companies and businesses with all aspects of their UK and international tax compliance and also offers advice in a number of specialist tax areas. The team specialises in advising companies and their shareholders on achieving the optimum tax structures and they work with advisers all around the world for their global clients.

We commonly advise clients on the following:



How we work

Our service is discreet and professional, teaming up with other experts when required for a unified strategy tailored to each client's unique needs.

We understand that each client has distinct situations and offer personalised services aimed at their specific goals.

We deliver in-depth tax guidance and continued assistance with tax compliance responsibilities.



**OUR
CORE
VALUES**



Impartial

Personal

Experts

Integrity

Value



Discretion



Knowledge



Reliable



Renunciation Process

This section guides you through the essential steps to legally renounce your U.S. citizenship. From obtaining a second passport and preparing required forms to attending your consular appointment and completing final tax filings, we break down the entire process to help you navigate each critical milestone smoothly and with confidence.



Renunciation Process

Overview

Renouncing your U.S. citizenship is a major legal and financial decision that should never be taken lightly. This process is designed to ensure you understand every implication and complete all necessary steps correctly. Below, we outline what's involved, so you can approach each stage with confidence and clarity.

Step 1: Obtain a Second Passport

Before you begin the renunciation process, U.S. law requires that you already hold citizenship in another country. This is to avoid the risk of becoming stateless—a situation where you would have no legal rights to live or work anywhere in the world.

Many people secure a second passport through naturalization, marriage, descent, or specialized citizenship-by-investment programs. It's important to complete this step first, as U.S. authorities will not process your renunciation without proof of another nationality.

- Why is this required?

Statelessness can lead to severe hardships—difficulties in travel, property ownership, employment, and obtaining vital services. U.S. law aims to prevent this for your protection.

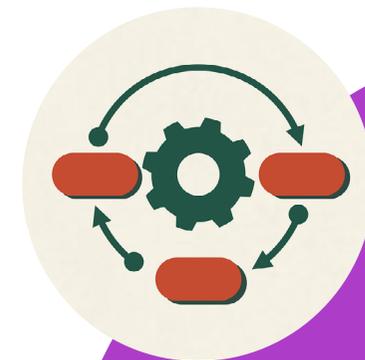
Step 2: Prepare Forms and Documents

Once you have a second passport, you'll need to collect key documents and complete several U.S. State Department forms:

- **DS-4079:** Questionnaire for Determining Possible Loss of U.S. Nationality
- **DS-4080:** Oath/Affirmation of Renunciation of Nationality
- **DS-4081:** Statement of Understanding of the consequences

Gather your current U.S. passport and any foreign passports or naturalisation certificates. Double-check required forms with your chosen U.S. embassy or consulate, as procedures can vary by location.

Organising your paperwork in advance will help your appointment proceed smoothly and reduce the risk of delays. If you've legally changed your name or have other supporting documents, bring originals and copies.



Renunciation Process

Step 3: Attend Your Renunciation Appointment

The next stage is an in-person appointment at a U.S. embassy or consulate outside the United States. Renunciation cannot be completed by mail or online.

During your appointment:

- Present all required documents and completed forms
- Pay the non-refundable \$2,350 administration fee
- Undergo an interview with a consular officer to confirm your voluntary intent
- Take the Oath of Renunciation, formally declaring your intent to give up your citizenship

The appointment is designed to confirm that you are acting knowingly and without coercion. Take this opportunity to ask any remaining questions about the process or its implications.

Step 4: Await State Department Approval

Following your appointment, your case will be sent to the U.S. Department of State for review.

This review can take several months. Once approved, you'll be issued a Certificate of Loss of Nationality (CLN).

The date on the CLN is your official renunciation date for U.S. legal and tax purposes. You should keep this document safe, as it is your proof that your U.S. citizenship has ended.

Step 5: File Your Final Tax Return

Even after your renunciation is approved, you must complete one final obligation to the IRS.

File a final dual-status U.S. tax return for the year you renounce, reporting all worldwide income up to your renunciation date and U.S.-source income afterwards.

Attach Form 8854 to this return to certify that you have complied with all U.S. tax requirements for the five prior years and formally notify the IRS of your expatriation.

Accurate filing of this tax paperwork is crucial to avoid future penalties or being classified as a "covered expatriate" (which can trigger significant tax consequences).

With careful preparation at each stage, you can ensure a compliant, stress-free renunciation and confidently begin the next chapter of your life. Consider professional advice to handle documentation, appointments, and tax matters for the best results.



Tax Implications & Compliance

Understand your tax responsibilities before, during, and after renouncing U.S. citizenship. This section explains the five-year compliance rule, when the Exit Tax applies, and what you must do to meet your final IRS obligations—helping you avoid unexpected costs and penalties as you make a clean break from the U.S. tax system.



Tax Implications & Compliance

Understanding Your U.S. Tax Obligations

Renouncing your U.S. citizenship does not immediately free you from all American tax responsibilities. The IRS requires that you remain fully compliant for the five years leading up to your renunciation. Compliance means you must file all federal tax returns and report your worldwide income, no matter where you live. Additionally, if you have foreign financial accounts exceeding reporting thresholds, you need to have submitted all required FBAR (Foreign Bank Account Report) filings.

Neglecting these obligations can result in fines, penalties, and ongoing IRS enforcement—even after you’ve renounced. Many expatriates underestimate the scope of these responsibilities, which can lead to complications and unexpected tax bills long after renunciation.

It’s important to understand these requirements early and prepare accordingly. If you have missed filings or payments, it’s advisable to seek professional help to become compliant before your renunciation appointment.



Failing to prove five years of full U.S. tax compliance can trigger the costly Exit Tax.

Five-Year Compliance Rule

One of the most critical criteria to avoid additional taxes and penalties is the five-year tax compliance certification. When you file Form 8854 after renunciation, you must declare that you have met all your U.S. tax obligations during the five years before giving up your citizenship.

This includes:

- Filing all required tax returns accurately and on time
- Paying all due taxes and any applicable interest or penalties
- Filing all required financial account disclosures (FBAR or FATCA reports)

Failing to certify full compliance means you will likely be classified as a “covered expatriate,” a status which triggers the costly and complex Exit Tax. The IRS may also audit previous years’ returns or pursue penalties if it finds discrepancies.

Proper documentation and evidence of compliance are crucial to passing this test and achieving a clean tax break.

Tax Implications & Compliance

The Exit Tax Explained

The Exit Tax is a significant consideration for many renunciants. If you meet any of the following criteria on your renunciation date, you will be treated as a “covered expatriate” and subject to this tax:

- You have a net worth exceeding \$2 million
- Your average annual U.S. income tax liability for the past five years exceeds approximately \$190,000 (adjusted yearly for inflation)
- You fail to certify full compliance with tax obligations for the past five years

The Exit Tax works by treating you as if you sold all your worldwide assets the day before renouncing, triggering capital gains tax on any unrealized profits above a tax-free exemption amount (e.g., \$890,000 in 2025). This can apply to investments, real estate, retirement accounts, and other property.

Moreover, being a covered expatriate can have longer-term tax consequences, such as a special gift tax on transfers to U.S. persons after expatriation. Proper financial planning can sometimes reduce or avoid this tax burden.

Final Tax Return and Form 8854

In the year of renunciation, you’ll file a special dual-status tax return. This means you report your global income as a U.S. citizen up until your renunciation date, and only U.S.-sourced income after that date as a non-resident alien. The dual-status return must include:

- **Form 1040 or 1040NR**, annotated as a dual-status return
- **Form 8854** (“Initial and Annual Expatriation Statement”), which certifies your five-year tax compliance and communicates your expatriate status to the IRS

Form 8854 also requires you to report your net worth, income history, and other information necessary to determine whether you owe any Exit Tax. Failure to submit this form accurately and timely can trigger IRS penalties and put you back into the U.S. tax system unexpectedly.

It’s essential to handle your final filings carefully and possibly seek expert assistance to ensure full compliance, avoid mistakes, and finalize your clean break from U.S. tax obligations.

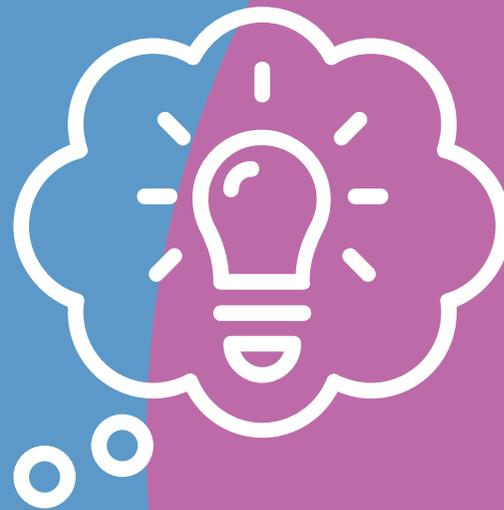
Important!



If your net worth is over \$2M, your average annual U.S. tax liability exceeds ~\$190K, or you fail the five-year compliance test— you’ll be classed as a “covered expatriate” and hit with the Exit Tax.

Special Cases & Relief

Explore unique situations that may affect the renunciation process, including options for “accidental Americans,” exceptions to the Exit Tax, and relief procedures that help certain individuals resolve tax compliance or avoid the harshest expatriation penalties.



Special Cases & Relief

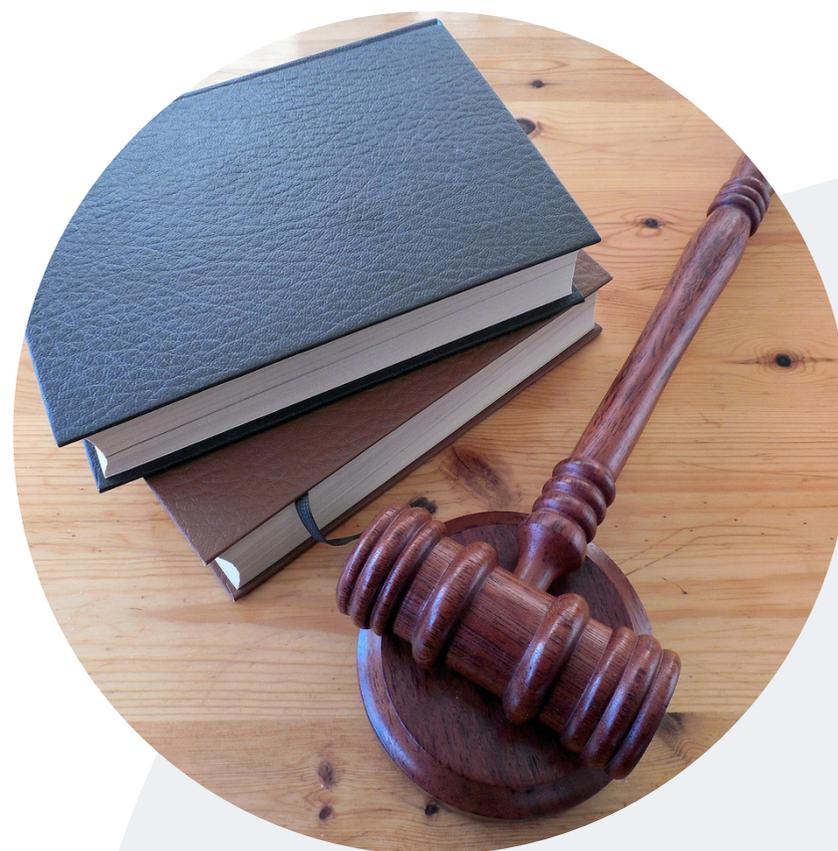
Accidental Americans & IRS Relief

Many individuals unknowingly hold U.S. citizenship by birth or descent but have never lived or worked in the U.S. Known as “accidental Americans,” they face unique challenges in meeting U.S. tax obligations. The IRS Relief Procedure allows qualifying individuals to catch up on missed filings with reduced penalties and, in many cases, avoid paying back taxes if owed under \$25,000. This program simplifies the renunciation process and makes it more affordable and manageable.

Exceptions, Relinquishment, and Special Considerations

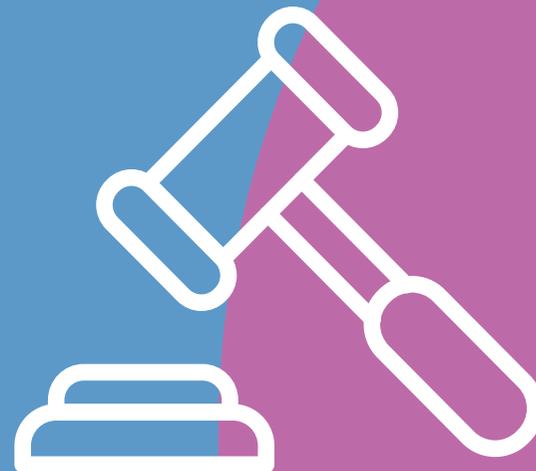
Not all renunciants are subject to the Exit Tax or strict post-renunciation rules. Dual citizens born with U.S. citizenship who continue to reside abroad and minors who renounce before age 18½ may be exempt from these burdens. Additionally, “relinquishment” through specific expatriating acts (such as acquiring foreign citizenship with intent to give up U.S. citizenship) can sometimes alter when your citizenship and tax responsibilities end, though it still requires formal filings.

Careful planning and professional advice can help maximise relief options and minimise tax exposure in these special cases.



Financial & Legal Considerations

Find answers to the most common questions about the renunciation process, tax obligations, and legal considerations. This section provides quick, clear information to help you understand what to expect and how to prepare for your citizenship renunciation journey.





Financial & Legal Considerations

Costs, Taxes, and Government Fees

Renouncing your U.S. citizenship involves several important financial obligations. The most immediate cost is the non-refundable government renunciation fee of \$2,350, which must be paid at your embassy or consulate appointment. This fee covers the administrative processing of your renunciation request but does not include additional expenses you may face.

Beyond the official fee, many individuals incur costs for legal and tax advisory services to ensure their renunciation is compliant and properly managed. Professional guidance helps navigate complex tax rules and avoid mistakes that could lead to penalties or delays.

A critical financial consideration is the Exit Tax, which may apply if you meet certain thresholds:

- Having a net worth above \$2 million
- Averaging a high annual U.S. income tax liability over the prior five years
- Failing to certify full tax compliance for the past five years

This tax treats you as if you sold all your worldwide assets the day before renouncing citizenship, imposing capital gains taxes on any unrealised profits exceeding a specific exemption amount (e.g., \$821,000 in 2023). The Exit Tax can dramatically increase the cost of renouncing, and careful, proactive financial planning is essential to reduce or avoid this burden.

Impact on Benefits and Avoiding Legal Pitfalls

Renouncing citizenship also affects your eligibility for U.S. government benefits like Social Security. Although certain benefits may continue for non-residents, restrictions can apply, such as withholding taxes or loss of payments in some cases. Understanding how your benefits will change post-renunciation helps you plan your financial future more effectively.

Legally, renunciation is a complex process with common pitfalls that can be costly or cause delays. Some frequent challenges include:

- **Incomplete tax compliance:** Failing to file or pay required taxes can lead to audit risk, penalties, and disqualification from certain reliefs.
- **Not obtaining a second citizenship:** U.S. law requires that you have another nationality before renouncing to prevent statelessness. Skipping this step can invalidate your renunciation.
- **Misinterpreting the citizenship loss timeline:** Citizenship ends when your renunciation is approved and certified—not just when you take the oath—affecting tax and legal obligations.

Seeking professional legal and tax advice is highly recommended to ensure you meet all requirements, avoid these pitfalls, and protect your personal and financial interests throughout the process.

FAQs

This section highlights key financial and legal factors to consider before renouncing. From government fees and potential exit tax risks to the impact on benefits like Social Security and common legal pitfalls, understanding these elements helps you make informed decisions and avoid costly





FAQs

‘Do I need a second passport before renouncing U.S. citizenship?’

Yes. U.S. law mandates that you hold valid citizenship of another country before renouncing to avoid becoming stateless. You must provide proof of this second citizenship at your renunciation appointment.

‘How long does the renunciation process take?’

The timeline varies depending on embassy availability and processing times. Typically, it takes several months from the initial appointment to receive your Certificate of Loss of Nationality. Delays can occur if documents are incomplete or additional reviews are required.

‘What is the Exit Tax, and who must pay it?’

The Exit Tax applies to “covered expatriates” — individuals with a net worth over \$2 million, high average annual tax liability, or those who fail to certify full tax compliance for the previous five years. This tax treats your worldwide assets as sold the day before renunciation, potentially leading to significant capital gains taxes.

‘Will renouncing affect my Social Security benefits?’

Not necessarily. Many non-resident citizens remain eligible for Social Security payments, but eligibility depends on your country of residence and U.S. regulations, with potential withholding taxes applied. It’s important to understand your specific situation before renouncing.



FAQs

‘Can I live and work in the U.S. after renouncing?’

Renunciation does not bar you from visiting, living, or working in the U.S. in the future, but you must obtain the appropriate visas or permits like any foreign national. Past citizenship status offers no special entry rights.

‘What documents are required at the renunciation appointment?’

You’ll need: your valid U.S. passport, proof of another citizenship, completed forms DS-4079, DS-4080, and DS-4081, and supporting identification documents. Prepare thoroughly to avoid delays.

‘Are there exceptions or relief options for tax filing?’

Yes. “Accidental Americans” and certain others may qualify for IRS relief procedures that simplify filing requirements and reduce or waive penalties. Eligibility depends on individual circumstances and past filing history.

‘Can renunciation be reversed?’

Renunciation is generally permanent. In rare cases, you can withdraw your renunciation request before the State Department certifies it, but once the Certificate of Loss of Nationality is issued, citizenship cannot be reinstated.



Our fees

We are pragmatic and sensible with our approach on fees, we understand that clients want transparency and no unexpected costs.

We therefore ensure that fees are agreed in advance wherever possible and practical.

For annual compliance work we will generally agree a fixed fee, for advisory services we will agree a detailed scope of the advice we have been instructed to provide and will agree a fixed fee or work on a time spent basis as appropriate and agreed in advance.

Our transparent approach encourages clients to pick up the phone to discuss their affairs.



tap
tax
advisory
partnership

Contact us

If you wish to discuss any UK/US personal tax or Corporate matters, please get in touch with your usual TAP contact or speak to the following team members:



Scott Wickham
US Tax Partner

+44 (0)20 8037 1081
scott.wickham@taxadvisorypartnership.com



Ian Feaviour
US Tax Director

+44 (0)020 8037 1080
ian.feaviour@taxadvisorypartnership.com



Charlotte Davies
US Tax Director

+44 (0)20 8037 1082
charlotte.davies@taxadvisorypartnership.com



TAP London

14 Devonshire Square
London
EC2M 4YT

+44 (0) 20 8037 1100
info@tap-london.com



TAP Leeds

4100 Park Approach
Thorpe Park, Leeds
LS15 8GB

+44 (0) 113 426 9301
info@tap-leeds.com

taxadvisorypartnership.com

Thank you

The Tax Advisory Partnership is a member firm of the Chartered Institute of Taxation (CIOT). We are not Financial Advisors and are not regulated by the Financial Conduct Authority (FCA). Where appropriate we will work with your Independent Financial Advisor or we can introduce you to one who we have worked with in the past who can take care of the FCA aspects of any advice you require. However, our focus is on ensuring that any investment strategy you may select meets with your overall financial and taxation objectives.

The logo for Tap Tax Advisory Partnership is contained within a teal circular graphic. The word 'tap' is written in a large, white, lowercase, sans-serif font. Below it, the words 'tax advisory partnership' are written in a smaller, white, lowercase, sans-serif font, stacked on three lines.

tap
tax
advisory
partnership