



FINANCIAL
TIMES

November 21, 2014 6:04 pm

US citizenship returns to tax Boris

Vanessa Houlder and George Parker in London and Gina Chon in Washington



London mayor Boris Johnson

London mayor Boris Johnson has found that [his American passport has put him in conflict with the Internal Revenue Service](#), as the US tax net closes on thousands of US citizens living abroad.

Mr Johnson, who was born in New York and has dual British-US nationality, has denounced the “incredible doctrine of global taxation” applied by the US and has refused to pay a capital-gains tax bill relating to the sale of a home in north London.

Tax experts say many expatriates, including those like Mr Johnson who were born in the US but who have never relinquished their citizenship, are unaware of their obligations [to pay tax in the US](#).

Mr Johnson's refusal to pay his tax demand was discussed by US embassy officials in London on Friday, where the affair is likely to have brought a wry smile to the lips of the ambassador, [Matthew Barzun](#).

Mr Barzun, a close acquaintance of the mayor, is refusing to pay an estimated £7m bill demanded by City Hall in London over the embassy's refusal to pay the capital's congestion charge on its vehicles.

During a visit to Britain by Barack Obama in 2011, Mr Johnson reportedly tried to persuade the US president to write a cheque to clear the bill. Now he might face similar requests from the IRS when he next visits the US after Christmas.

[The IRS](#) is prohibited from discussing specific cases, but in general it charges a gradually increasing interest rate for late payment of taxes, while there are bigger financial penalties for negligence or disregard of tax rules.

Individuals can also face criminal prosecution for "wilful failure to file a return, supply information, or pay any tax due", according to IRS rules. But in practice, that punishment is usually invoked only in major tax fraud or other extreme cases.

While Mr Johnson might hope to avoid detention when he next arrives at JFK, the tax demand has obviously touched a nerve with the ebullient mayor who was refusing to comment on Friday.

He revealed the affair in an interview with National Public Radio in the US where he has been promoting his new biography of Churchill. "The US comes after me, would you believe it, for capital gains tax on the sale of your first residence which is not taxable in Britain," he said.

As the US tax net tightens, sweeping new information powers will force banks outside the US to hand over information about their US clients, increasing the chances of an unexpected tax demand.

Taxpayers often find themselves facing a surprise bill because the US tax system does not have the same exemptions as the countries where they live. The US only exempts \$250,000 of a capital gain on a property that would usually be fully tax-exempt in Britain. Some taxpayers switch the ownership of the property to their non-American spouse, to get around the liability.

David Treitel, managing director of American Tax Returns, a UK-based tax firm, said he believed that thousands of Americans living in London were realising for the first time that they needed to file returns. He said: “They feel betrayal, upset and a lack of sleep in discovering they have not been compliant.”

Mr Johnson wrote in 2006 that after 42 happy years he was “getting a divorce from America” and renouncing his US citizenship, but he has never done so – claiming it was a complicated process.

But according to [Robert Wood, a tax expert writing in Forbes](#), a record number of people are giving up their US citizenship or terminating long term US residency, with many people finding US global tax laws “inconvenient or even oppressive”.