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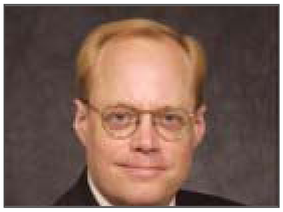

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Brits, Yanks And French Show Fleeing High Taxes Is Universal

Taxes can be so complex that at times they almost seem mystical. Yet even with taxes there are simple rules of cause and effect. For example, if you keep raising tax rates, no matter how honest and compliant people are, some will vote with their feet.

50% higher rate tax (Photo credit: HowardLake)

Another simple rule: wealthy individuals and wealthy companies have more resources and more alternatives. As a result, they are precisely the ones you can't push too far without an effect. They may not push back and may not tell you they are upset.

Instead, they may quietly fly the coop if it becomes too unpleasant or too expensive. Maybe that's something we all have in common. Regardless of national temperament and notorious differences, behavior on this point seems consistent.

In Britain, the number of taxpayers declaring £1 million a year in income fell by more than 60% in just one year. The explanation might be the recession, right? Perhaps, but this happened to be the banner year millionaires faced a 50% income-tax rate up from 40% the prior year.

Incredibly, the total number of millionaire tax filers plunged from 16,000 in 2009-2010 to 6,000 in 2010-2011. See Britain's Missing Millionaires: Income tax Rates Rise but Revenues Fall.

British Pols thought tax collections would go up. After all, 50% is more than 40%. You do the math. With new math, tax collections went down. France went even further with its 75% rate.

After France's socialist President François Hollande proposed a 75% tax on earnings over one million euros, France's wealth-king Bernard Arnault applied for Belgian nationality. Ouch. See If U.S. Had 75% Tax Rate, You'd Leave Too.

Yanks have their own lower boiling point. When Facebook's Eduardo Saverin left for tax-friendly Singapore, some thought it was a great idea. See Why Denise Rich Followed Eduardo Saverin's Expat Lead. Our worldwide income tax system is becoming more controversial, yet is unlikely to change. See Expats Lobby For Tax on Residence, Not Worldwide Income.

And when someone successful votes with their feet, some Americans are apt to be incensed. See Why Facebook's Co-Founder Just Defriended America. The Saverin move on the heels of the Facebook IPO prompted a tax bill to slap even higher taxes on those deigning to say sayonara. That ramped up U.S. exit tax has not been passed into law.

Even so, expatriates already face a U.S. exit tax on their worldwide property computed at fair market value the day before they leave. But the tax can be reduced or avoided in many cases. See Ten Facts About Tax Expatriation. You can escape it if you have less than $651,000 of income from your deemed sale of assets. Some people born with dual citizenship are exempt. See IRS Form 8854.

There's no easy answer to the economic problems facing many countries. There's no universal answer to the question of what tax rates are too high. But even very smart politicians and economists doing revenue projections may not be taking into account some fundamental behaviors.

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