

## Dilemma of Tax Implementation for Dual Citizens

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**Abstract:** Dual citizenship is the result of the political struggle of globalist groups, this condition encourages countries to be able to adapt regulations to accommodate the demands of dual citizens. Empirically, dual citizens have rights and obligations regarding their citizenship status. This study focuses on discussing the obligations of dual citizens in paying taxes, because it is a strategic socio-economics issue for dual citizens, as well as the existence of political agreements between countries that recognize dual citizens. This study uses a literature study that specifically discusses dual citizen taxes in the United States (US). The results of the study show that US law states that every US citizen must file and pay US taxes every year. This even applies to every US citizen abroad who lives around the world. Dual US citizens tend not to face double taxation because of certain agreements made by the US with foreign countries. For example, the Totalization Agreement stipulates that countries around the world will not impose double taxation on American citizens abroad. This shows that the tax advantages and disadvantages of dual citizenship depend on the political policies between countries.

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### A. INTRODUCTION

International law confirms the existence of differences in citizenship laws (van der Baaren, 2024). According to The Hague Convention of 1930, each country is allowed to set its own citizenship requirements. With some legislative exceptions, countries distribute citizenship according to the same method. According to these rules, a person can acquire his or her citizenship based on *jus sanguinis* (right of blood) and/or *jus soli* (right of soil) (McGuire, 2022). People can acquire dual citizenship provided that both of these requirements are met at the same time (Knott, 2019; Sofinska, 2020). For example, a dual citizen can inherit citizenship of the first country based on *jus soli*, and can also acquire citizenship of the second country based on *jus sanguinis* laws. Dual citizens in the modern era marked by high mobility between citizens have led to inter-country marriages (Kiwani, 2022), thus having great potential to give rise to dual citizens. This situation certainly has an impact on the state's response to determine the rights and obligations of individuals who have dual citizenship (Spiro, 2019). Especially those related to determining taxes for dual citizens.

Citizenship "is generally understood as the status of membership in a particular political community that includes equal basic rights, legal obligations, and the opportunity to participate actively in political decision-making," Lep & Zupančič, (2023); Mansouri et al.

(2021); van Waas & Jaghai, (2018) according to the Western definition of political citizenship. The state and the citizen must also swap rights for duties in order for citizenship to exist (Machin & Tan, 2024). When a person holds dual citizenship or nationality, this transaction varies slightly. Global migration patterns give rise to dual citizenship Harpaz & Mateos (2019); Learson (2019) The US government gives a similar description of this classification.

According to the US Department of State, an individual is considered a dual citizen when they hold citizenship in two different nations simultaneously. According to this concept, dual citizens have a distinct understanding of the reciprocal connection between the state and its citizens (Melber et al., 2023; Reid Boyd et al., 2019). Rather, individuals who hold dual citizenship negotiate their ties with many nations. As a result, asymmetric citizenship rules enable the exchange of rights and duties for dual citizens, producing a distinct set of contextual "benefits and burdens."

Even while dual citizenship is practiced in many nations Schlenker et al. (2017), this fact has drawn harsh condemnation from a range of specialists. Citizenship has traditionally been thought of as a single, conceptual entity. The sovereignty of a state is thought to be threatened by dual citizenship. Due to the belief that having two separate political loyalties was incompatible, dual citizenship was denied over the majority of the 19th and 20th centuries (Carswell et al., 2019; Jasinskaja et al., 2020). Conflicting commitments were thought to arise from having two political allegiances.

In democratic nations, dual citizenship has gained widespread acceptance in recent years. There is growing agreement that the threat posed by dual citizenship to state sovereignty has subsided (Aji et al., 2024; Bauböck, 2021; Verkuyten et al., 2023). One common explanation for the growth in dual citizenship is globalization. This perspective holds that increased acceptance of dual citizenship is a sign that national citizenship is becoming less significant in terms of politics, law, the economy, society, and symbolism. The advent of a post-national and/or transnational order is signalled by the rising acceptance of dual citizenship, which also points to the fall of the nation-state (Jasinskaja et al., 2020; Mateos, 2019).

Historically, a collection of rights and duties pertaining to work, public duty, parenting, and family formation have formed the foundation of modern citizenship (de Groot, 2018; Zarycki et al., 2022). Citizenship, which is mostly manifested in national tax systems, defines one's entitlement to certain privileges connected to public duty. Tax is a citizen's obligation to the state, this is very important for the development of the country which relies heavily on citizen tax payments. The ability of the state to conduct diplomacy with other countries determines to whom the individual must pay taxes. When it comes to the US, the most frequent query from dual nationals is whether they must pay taxes to both nations if they are not residents of the US. Yes, they do, is the response. It turns out that if they meet the filing level, they have to submit US taxes if they are citizens or permanent residents of the country. This is valid even in the event that they do not now reside in the United States, hold dual citizenship, and pay taxes to another nation (Vargas et al., 2024).

Only two nations in the world levy taxes based on citizenship rather than residency, and that is the United States. Even if someone does not have a source of income in the US, this is still true. While tax evasion is still enforced in the US, there are a number of measures in

place to lessen the tax burden for dual nationals, such as tax treaties, the Foreign Tax Credit, and the Foreign Earned Income Exclusion. Based on the debate on dual citizenship and the reality of taxation for dual citizens, this paper attempts to theoretically examine taxation for dual citizens using the United States, which is one of the countries that applies taxes based on citizenship status.

## **B. METHOD**

The literature review method is a study by discussing and reviewing data from several reference books and previous research findings that are relevant to the study. This study uses journal references and books related to taxes for dual citizens in the United States (Snyder, 2019). A literature study aims to present the state of science today by providing a methodical account of the literature review and prior research findings that are relevant to the work that will be done (Kraus et al., 2022).

Three key steps are required in the data collection process for a literature study: 1) searching for data using various relevant journal and book references, 2) reviewing the data to ensure it is complete, logical, and structured; 3) organizing the data using the necessary framework; 4) further analysing the results of organizing the data using the theory used to obtain an in-depth explanation related to the research topic; and 5) compiling a manuscript in a structured and directed framework of thought according to the research topic (Simsek et al., 2023; Wee, 2016). The data type used in this study focuses on journals and books published in the last 10 years, so that the framework obtains the latest data, and data sources are based on journals indexed by scimagojr. The study's findings were gathered from books, journals, and the media that expressly address taxes and dual citizenship in the United States. material Analysis is a method of data analysis that involves a thorough examination of the written or printed material found in the media. The findings pertaining to taxes for dual citizens are provided in full.

## **C. RESULTS AND DISCUSSION**

The possession of multiple citizenships offers certain privileges, yet it also entails specific obligations for U.S. citizenship living abroad. According to US law, all US citizens and holders of green cards are required to file and pay US taxes annually. This is applicable to all US citizens residing overseas. The only nations that impose citizen-based taxes are the United States and Eritrea. As a result, breaking the law may incur needless consequences. Children of US citizens who were born in the US are likewise subject to US tax filing and reporting requirements. But some people might need to know this—especially if they have two citizenships. Americans and Expats Who Accidentally File US Taxes with Dual Citizenship. A person is most likely a US citizen whether or not they have ever gotten a US passport or social security number. This is especially true if they were born in the US or if they were born abroad to at least one US citizen parent.

A person may be an involuntary citizen of the United States if they fit into any of these categories. But specifically, the person will require documentation, such a birth certificate. To find out if the parents registered the birth with a U.S. Embassy or Consulate, the person might also get in touch with them. Those who are unaware that they are US citizens are

known as accidental citizens. This implies that they are bound by the same rules and laws as ordinary citizens of the United States. If they satisfy the reporting threshold, accidental US citizens residing overseas must disclose their income to the Internal Revenue Service (IRS) (Jalles & Karras, 2024). This issue suggests that the US tax system should exercise prudence.

### **1. Dual Citizenship Requirements for US Taxes When Living Abroad**

Having dual citizenship entails a special obligation to adhere to the U.S. tax code, which mandates that people disclose all of their income, globally, regardless of where they live (Boumans et al., 2020). This covers all types of income, including cross-border salaries and investment returns. Many dual citizens may be surprised by the U.S. citizenship-based tax system since it is not like the residency-based system that is employed in the majority of other nations. Managing tax responsibilities presents special difficulties for expatriates. Nonetheless, there are a number of measures in US tax law intended to lessen the cost on residents who reside overseas. Comprehending and using these clauses can drastically lower, or even completely remove, one's tax liabilities in the United States (Herzfeld, 2019).

For expatriates, the exclusion of income generated overseas is a useful tool. With this exclusion, you can deduct from your taxable income in the United States up to \$100,000 of an individual's overseas income. The Physical Presence Test, which verifies that a person has spent at least 330 full days in a foreign country during a 12-month period, or the Lawful Residence Test, which verifies that a person has lived in a foreign country for an entire tax year, must be passed in order to be eligible. Using international tax credits is another way to lower your taxable income in the United States. With the use of these credits, foreign tax payments can be offset against an expat's U.S. tax obligation on the same income. As long as the credit does not exceed the amount of U.S. tax owed on the overseas income, there is no cap on how much a person can claim.

### **2. US International Social Security Agreement (Totalization Agreement)**

The United States has coordinated its Social Security program with comparable programs in other nations since the late 1970s by establishing a network of bilateral agreements. An overview of these agreements is given in this article, which should be of interest to both individuals with international work experience and multinational corporations (Jalles & Karras, 2024). There are two main goals of the International Social Security Agreement, sometimes known as the "Totalization Agreement." Firstly, it does rid of double Social Security taxation, which is when an employee from one nation works in another and has to pay Social Security taxes on the same salary to both nations. Secondly, it assists in bridging gaps in benefit protection for employees who have split their employment between the US and another nation.

Numerous nations that the US has signed tax treaties with might offer extra advantages like lower tax rates or unique tax exemptions. In a similar vein, totalization accords shield foreign workers from paying twice for social security. Gaining knowledge of these treaties' and agreements' details may open you more options to lower tax obligations. In Western Europe, agreements to coordinate Social Security coverage across national borders have been the norm for many years. The agreements the United States has signed, together with the dates they went into effect, are listed below (Herzfeld, 2019). The dates displayed are when

the original agreements went into effect; several of these agreements have since undergone revisions.

**Table 1.** List of Countries that are Parties to the US International Social Security Agreement

<b>Countries with Social Security Agreements</b>	
<i>Country</i>	<i>Entry into Force</i>
Italy	November 1, 1978
Germany	December 1, 1979
Switzerland	November 1, 1980
Belgium	July 1, 1984
Norway	July 1, 1984
Canada	August 1, 1984
United Kingdom	January 1, 1985
Sweden	January 1, 1987
Spain	April 1, 1988
France	July 1, 1988
Portugal	August 1, 1989
Netherlands	November 1, 1990
Austria	November 1, 1991
Finland	November 1, 1992
Ireland	September 1, 1993
Luxembourg	November 1, 1993
Greece	September 1, 1994
South Korea	April 1, 2001
Chile	December 1, 2001
Australia	October 1, 2002
Japan	October 1, 2005
Denmark	October 1, 2008
Czech Republic	January 1, 2009
Poland	March 1, 2009
Slovak Republic	May 1, 2014
Hungary	September 1, 2016
Brazil	October 1, 2018
Uruguay	November 1, 2018
Slovenia	February 1, 2019
Iceland	March 1, 2019

Table 1 explains that the state plays an important role in making agreements related to double taxation avoidance for dual citizens. This condition indicates that the state's position depends on the results of the state's agreement regarding the tax obligations that must be paid. Governments as well as people who live and work abroad can benefit from tax treaties. They can assist in stopping tax evasion, create new financial avenues for communication, and lay the groundwork for future diplomatic ties between two nations.

The U.S. agreement is sometimes misunderstood to provide companies or employees with dual coverage to select which system their workforce would contribute to. This is untrue. Furthermore, the agreement keeps the fundamental elements of the Social Security statutes of the member states intact, such as the definitions of covered work and income. It only spares employees who would otherwise be covered by both systems from coverage under one state's system or the other.

### 3. Rejecting US Citizenship

Renouncing one's citizenship is an option for dual citizens who become aware of their U.S. citizenship and decide they no longer want it. But in order to accomplish this, one must amend all forms and payments for US taxes. A Social Security number and a U.S. passport are required in order to amend U.S. taxes. Furthermore, there's a departure charge that exceeds \$2,000. Nearly twenty times what other countries' typical fees are. Based on this fact, which demonstrates that people have complete power over state functions, national circles heavily condemn this scenario, viewing citizens as just materialistic advantages that undermine the state's symbolic values. This state of affairs is justified, yet, because political scientists focus on upholding human rights, frequently undermining the justification of citizenship as a status, entitlement, and social participation.

The existence of loopholes that allow citizenship to be denied based on taxation is a sign of a weakening political community as the economic tenets of Keynesian citizenship—high personal taxes, sufficient retirement pensions, and a welfare safety net—are being undermined (Herzog, 2020; Terra et al., 2021). The true cause of the decline of social citizenship in contemporary democracies is the institutional framework of the shared experience of membership in the political community, which includes taxation, military service, a national educational system, and a thriving civil society. This framework is eroding. The privatization of public identity that comes after the privatization of public utilities is essentially what is causing this collapse.

## D. CONCLUSIONS AND SUGGESTIONS

Taxes for dual citizens are a consequence of the state policy that implements dual citizenship, although citizenship has received much criticism, but empirically many countries implement it. In the context of the US, individuals need to be aware of paying taxes, because the US is one of the countries that imposes taxes on citizenship status. This condition also indicates that there is a relationship between the state and citizens in the implementation of taxes. The International Social Security Agreement is a tax pact that the United States and another countries have that helps both present employees and those whose careers have ended in employment. The agreement removes the possibility of multiple contributions to the US and other countries' Social Security systems for existing employees. A worker's family members or the worker themselves may receive payments under the agreement for individuals who worked both domestically and overseas and are now retired, disabled, or deceased.

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