

RBT vs. TTFI



Residence Based Taxation vs. Territorial Taxation for Individuals

TAXATION TYPE	LOCAL INCOME				FOREIGN INCOME			
	Resident Citizen	Resident Foreigner	Non-Resident Citizen	Non-Resident Foreigner	Resident Citizen	Resident Foreigner	Non-Resident Citizen	Non-Resident Foreigner
RBT	YES	YES	YES	YES	YES	YES	NO	NO
TTFI	YES	YES	YES	YES	NO	NO	NO	NO
USA - CBT	YES	YES	YES	YES/NO*	YES	YES	YES	NO

- There are two major income tax types in the world: RBT and TTFI.
 - RBT taxes worldwide income of residents and local income of non-residents.
 - TTFI taxes local income of both residents and non-residents.
 - All countries tax local income. Double taxation on US-based pensions is a result of host country RBT taxation policies.
- If all countries followed TTFI, there would be no double taxation.
- Because of varying taxation types, double taxation between nations can only be resolved by tax treaties: RBT does not solve double taxation because it practices worldwide taxation of residents.
- The US currently does not generally tax (or taxes at very favorable rates of 5-10%) non-resident foreigners on dividends, interest and capital gains generated in the US. They are taxed on salary and other earned income in the US.