

## Taxation of non-domiciled individuals: Important changes

In his Pre-Budget Report, the Chancellor announced changes to the UK tax rules relating to non-UK domiciled UK resident individuals.

These changes include more than the highly publicised £30,000 levy likely to be applicable to non-domiciles. The detail includes a significant tightening of the entire non-domicile tax regime, which is likely to affect most offshore structures and could significantly increase the amount of UK tax payable.

It appears there will be a short window of opportunity between now and 5 April 2008 to re-organise matters. Non-domiciles should be considering their options in the immediate term.

Overview of the announcements:

- The remittance<sup>1</sup> basis for non-UK investment income and gains is expected to continue to be available, but in order to take advantage of it after next April those who have been resident in the UK for at least seven tax years will need to pay an annual "levy" of £30,000. A higher charge is under consideration for those who have been UK resident for longer than 10 years. The alternative is to not pay the levy and instead to pay UK tax on worldwide income and gains.
- There will be a number of changes to deal with "anomalies" in the detailed remittance rules. These will have significant impact for many non-domiciled individuals as they will close a number of the planning techniques that were permitted and regularly used to bring overseas funds into the country with no UK tax. The HM Revenue and Customs press release refers specifically to income "ceased source" planning<sup>2</sup>; planning using offshore trust and company structures<sup>3</sup> and extending the meaning of the term "remittance".
- In determining whether an individual is a UK tax resident, days spent in the UK in a tax year will include days of arrival and departure.
- No changes were announced on the inheritance tax rules for non-UK domiciled individuals.

Draft legislation will be published towards the end of 2007 or early in 2008 and it is only then that the full impact of the changes will be known.

Given that this will leave those affected little time to rearrange their affairs, it is advisable to start to consider the potential impact of these changes as soon as possible so that once the legislation is published individuals are ready to act.

PricewaterhouseCoopers has a number of clients who are in this situation so we have already considered the potential impact of the proposed new rules and started to discuss some of the specific solutions which may be appropriate. If you would like to talk to someone about your own position then please contact one of the team members listed on this page.

For further information here are some of the articles available in PwCPlus (registered users).

- [More on HM Treasury's consultation on residence/ domicile, remittances, days in UK](#)
- [HM Treasury consultation on residence/ domicile, remittances and days in the UK surprises many](#)
- [Paying a fairer share - a consultation on residence and domicile](#)

<sup>1</sup> Broadly speaking the remittance basis of tax works so that income and capital gains realised outside the UK are only liable to UK tax when the money is brought into the UK

2 Whereby income, e.g. offshore bank interest, could be brought into the UK tax-free provided that the source of the income, e.g. the bank account from which the interest arose, had been closed in the previous tax year

3 Which allowed offshore capital gains to be brought into the UK tax-free

#### **Contacts**

Clive Mackintosh  
+44 (0) 20 7804 5614

Nicola Roberts  
+44 (0) 20 7804 4830

Natasha Lucas  
+44 (0) 20 7212 3835

Leonie Kerswill  
+44 (0) 20 7213 8588

© 2008 PricewaterhouseCoopers. All rights reserved. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.