

Intertrust Reads Private Clients Limited Opportunities for UK resident 'non-domiciliaries'

Our clients know what they want to achieve. We know how to get there. Working with some of the sharpest minds in the business, we pull together the right blend of advice to suit each client's unique situation. With an international network of experts and a rich history in the financial world, we have the people and knowledge to help you succeed. Partnership, premium quality and personal attention. That's how we've remained a leader in Taxation Services for such a long time.

In general, individuals who are resident in the UK for tax purposes and are also UK domiciled are subject to UK tax on worldwide income and gains. They are also exposed to inheritance tax (IHT) on lifetime gifts (at 20%) and at 40% on the value of their estate on death. However, there are opportunities for individuals who are UK resident but non-UK domiciled. So-called "non-doms" have the ability to structure their affairs to legitimately mitigate capital gains tax and inheritance tax and to a limited extent, income tax. When you consider that gains of £10 million could suffer tax of £1.8 million, and an estate of the same value may be liable to IHT of approximately £4 million, it might be time to take advice.

Domicile and residence

Individuals often confuse the terms domicile and residence. For tax purposes they have very different meanings. Generally speaking, someone who lives or spends most of their time in a country will be resident there and although they may also be domiciled where they are resident, that is not always the case. The simplest way to describe domicile is "the country to which a person is closely linked or which they consider to be home". It is therefore possible to be resident in the UK but domiciled elsewhere.

What does it take to be regarded as non-UK domiciled?

Individuals generally take their domicile from their father at birth. This is known as a domicile of origin and usually remains in place until an individual is able to

demonstrate that they would like to live permanently somewhere else. Consequently, it is possible that an individual born outside the UK, or whose father was born outside the UK, may still be regarded as non-UK domiciled if they retain links with the other country.

A domicile of origin is usually only displaced when the individual settles permanently in a different country and severs all ties with their home country. By this means they can obtain a domicile of choice.

For IHT purposes only, individuals who are otherwise non-UK domiciled will be deemed UK domiciled if they have been resident in the UK for 17 out of 20 years. However, it should be noted that although this can reduce the planning opportunities available, it does not necessarily mean that nothing can be done and expert advice should still be sought to mitigate the tax burden as far as possible.

In summary, there may be planning opportunities for individuals who were either born outside the UK or whose father was born outside the UK, or if they have lived abroad for a significant number of years.

Opportunities

Individuals who are UK resident but non-UK domiciled are subject to UK tax on UK source income and gains. However, they are only subject to UK tax on non-UK source income and gains to the extent that they are remitted to the UK, and if they are able to take advantage of the "remittance basis" of taxation.

The remittance basis has been substantially changed following the UK Budget on 12 March 2008. Prior to this the remittance basis could be used as a matter of course by non-domiciliaries in order to shelter non-UK income and gains.

The new rules mean that:

- ▶ The remittance basis may still be used by UK resident non-domiciliaries, but once they have been resident in the UK

for 7 out of the previous 9 UK tax years they will be required to pay £30,000 per annum to enable them to continue to use this basis of taxation.


- ▶ The £30,000 payment is in addition to any tax due on remittances actually made to the UK, so that careful planning must be carried out.
- ▶ Individuals claiming the remittance basis will forfeit rights to various UK personal income tax allowances plus the annual exemption from capital gains tax.

One of the main consequences of the 2008 budget changes is that it will only be cost effective for individuals to use the remittance basis if they generate non-UK income and gains in excess of approximately £80,000 in any one tax year, although it is possible to opt in and out of the remittance basis every year.

Intertrust Reads Private Clients Limited offer the following

- ▶ We are able to review individual circumstances and provide an opinion as to domicile status.
- ▶ We can provide advice as to the most appropriate method of owning UK situs investments such as real estate and company shares.
- ▶ Non-UK domicile status offers excellent opportunities for the preservation of family wealth through future generations and a consultation is recommended to assess whether savings can be made.
- ▶ In addition to tax planning services we are able to implement and administer trusts, companies and other structures that may be used in tax planning within our specialist Trust and Corporate Services team.
- ▶ We are able to give advice to individuals moving to the UK for the first time.
- ▶ We are also able to advise individuals who have a UK domicile of origin but wish to acquire a non-UK domicile of choice by means of permanent residence abroad.

Our clients come from every corner of the globe. Different countries, different cultures. Just like us. We have more than 1,000 professionals in more than 20 countries worldwide. So we have the local knowledge and sensitivity to see things from your point of view.

 Setting the standard since 1952

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