



Budget 2011

Marcus Parker comments on the 2011 Budget changes to the tax treatment of “non-doms”

The Budget Speech on 22 March 2011 highlighted some key changes to the tax treatment of UK resident but non-UK domiciled individuals and also provided some long hoped for clarity on the residence rules and on future changes.

The proposed measures which are intended to take effect from 6 April 2012 are as follows:

1. A statutory definition of residence will be introduced. Unlike the position under the current residence “rules” we should be able to accurately identify an individual's residence status in the future. We do not know what the definition will be yet as there will be a consultation process first which will start in June. We would expect the definition to centre around a day count test.
2. There will be an increase in the annual remittance basis charge from £30,000 to £50,000 for non-UK domiciled individuals who have been resident in the UK for 12 or more of the last 15 years and who wish to claim the remittance basis. The current £30,000 charge remains for those who have been resident in 7 or more of the last 9 years.
3. UK resident but non-UK domiciled individuals will be able to remit, without a tax charge, foreign income or gains to the UK for the purpose of “commercial investment in UK businesses”. It is not yet clear what kind of investment will qualify or the extent of this relief and so we will need to await the legislation.
4. There will be no other substantive changes to the domicile rules for the rest of this Parliament (potentially until 2015). This is important as it obviously gives some greater certainty to non-doms in the UK.

Domicile is a difficult concept and we advise all clients who are maintaining a non-UK domicile to have a formal domicile statement to provide a contemporaneous record of their intentions and the factors which evidence those intentions. This can be invaluable planning should HMRC challenge their status at some point. HMRC are aggressively attacking the domicile status of non-UK domiciled individuals who have been in the UK for a number of years and expats who have left the UK.

For more details of the tax treatment of non-doms and the current residence rules please contact Marcus Parker on +44 20 7430 7181 or at marcus.parker@nqpllp.com