



REMITTANCE BASIS USERS: LOAN COLLATERAL

Are you non-UK domiciled and UK resident and claiming the remittance basis of taxation?

Have you or a connected or relevant person borrowed funds which have been used in the UK from a UK or non UK lender?

Have you or a connected or relevant person provided security, a pledge or collateral over offshore assets or cash to the lender?

On 4 August, HMRC announced a change in their treatment of overseas collateral relating to loans used in the UK so that cash or assets representing offshore income and gains provided as collateral will be taxed as a remittance. The change is effective from 4 August. This means that loan arrangements involving any form of offshore collateral already in place or in the course of being put in place should be reviewed urgently.

For loan arrangements involving offshore collateral that were already in place at 4 August, HMRC have announced transitional treatment in certain circumstances. To fall within the transitional treatment, the arrangement must be notified to HMRC, must fall within the original terms of the HMRC guidance and be restructured before 5 April 2016.

Representations have been made to HMRC by the Chartered Institute of Taxation highlighting inconsistencies in HMRC's statement and HMRC have already responded by widening the transitional treatment for contracts that have exchanged before 4 August but are completing after that date. A meeting between HMRC and various representative bodies is taking place in September to discuss the announcement and further amendments may be made to HMRC's guidance.

All pre-existing loan arrangements involving any form of offshore collateral should be reviewed to consider how they may be affected.

For those considering using offshore assets or funds to secure a loan for UK spending or investment, urgent advice should be sought.

This is very much a headline summary. If you think you may be affected, please contact your usual contact at NQP or Karen Marks (karen.marks@nqpltd.com or 020 7430 7191) to discuss.