



GENEVA GROUP INTERNATIONAL

LAST CHANCE SALOON FOR NON-DOMS BEFORE CHANGES TO THE UK TAXATION OF NON- DOMICILIARIES TAKE EFFECT FROM 6 APRIL 2017

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A presentation by

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Background

Domicile

Tax in the UK

UK resident and UK domiciled

UK resident and not domiciled

- Remittance basis

Inheritance tax

Politics



Current position for non-doms (up to 5 April 2017)

Remittance basis cost

Generally non-UK capital losses not allowable

Deemed domicile for IHT only – 17/20 years

IHT applies to non-residents

- Excluded property
- Trusts

Non-UK trust generally

- Settlor-interested
- Other beneficiaries



New deemed domicile rules

Direct taxes and IHT

15/20 years

Bad non-doms!

Position if not deemed non-dom



CGT rebasing

Applies to deemed dom at 5 April 2017

Automatic but conditions

Election to disapply

Directly held assets

Bad non-dom excluded



Cleansing of mixed funds

Problem

Separation of capital, income and gains

Conditions but any non-dom can claim

Two year window

Cash only

Bad non-dom excluded



IHT and UK residential property

Look through a non-UK Company

Value attributable to UK residential property

Individuals and trusts

GWROB

Debt deductible but conditions

- Effectively only if used for purchase
- Needs to be secured

New rule: loan re residential property has UK situs

Collateral



IHT and UK residential property (continued)

Example 1

A lends his brother B £1m to purchase a £3m UK residential property

Loan is secured on the property

B can deduct the loan leaving £2m exposed to IHT

A also has an exposure being £1m



IHT and UK residential property (continued)

Example 2

C a non-resident non-dom buys a £3m UK residential property

Uses loan of £1m from a bank secured on a portfolio of £5m held with the bank.

C has exposure to IHT of £7m being:

£3m for the property (the debt is not deductible as not secured on the property)

plus

£4m being the collateral after deducting the debt



Non-UK trusts

Protection

- Income tax
- Capital gains tax

No added property

- Interest free loans

Complicated matching rules

Anti-avoidance



Bad non doms

Born in UK with UK domicile, resident in particular year

Rebasing and cleansing not available

No trust protection

Deemed domiciled for UK taxes

Deemed domicile for IHT if also resident in either or both of two prior tax years



Planning pre 6 April 2017

Individuals

If deemed dom from 6 April 2017:

- last chance to use remittance basis - consider maximising receipt of non-UK income/gains
- defer disposals till then
- last chance to set up excluded property trust
 - unless already deemed dom for IHT

If able to cleanse funds start planning now

Consider de-enveloping UK residential property



Planning pre 6 April 2017

Trusts

May be last chance to set one up

Review existing loans

Consider making distributions to non-residents

Consider making transfers to new trusts



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THANK YOU!

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