Untangling relief: Demystifying the mixed fund cleansing

BLICK ROTHENBERG

A case study on the rebasing and cleansing reliefs.

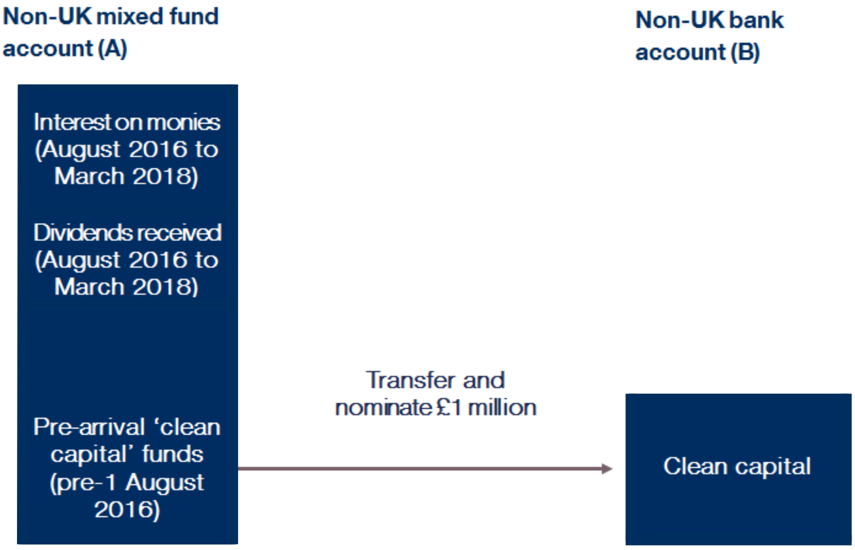
Case study: Marco

Background

- Marco became a UK resident from 1 August 2016 and claimed the remittance basis.
- Marco expected to be a UK resident for around 7-8 years whilst his children completed their education. Prior to moving to the UK, Marco had established a pot of clean capital from pre-arrival monies to fund his expected future UK living expenses.
- In March 2018, after 18 months in the UK, Marco's plans changed and he decided to purchase a UK home. His pot of clean capital was no longer sufficient but his other offshore funds had become mixed during this time.

How we helped

- We analysed Marco's offshore accounts to calculate the amount of pre-arrival clean capital remaining and the foreign income and gains credited since arrival.
- Each account was cleansed by nominating the amount of clean capital available, which totalled £1m, and transferred this to a new clean capital account. The separated clean capital is available to remit tax free to the UK on the completion of the property acquisitions.



- Marco also held an investment portfolio of non-UK situs shares. Most of these had been purchased pre-arrival so the acquisition costs represented clean capital. However the clean capital would be mixed with the gains.

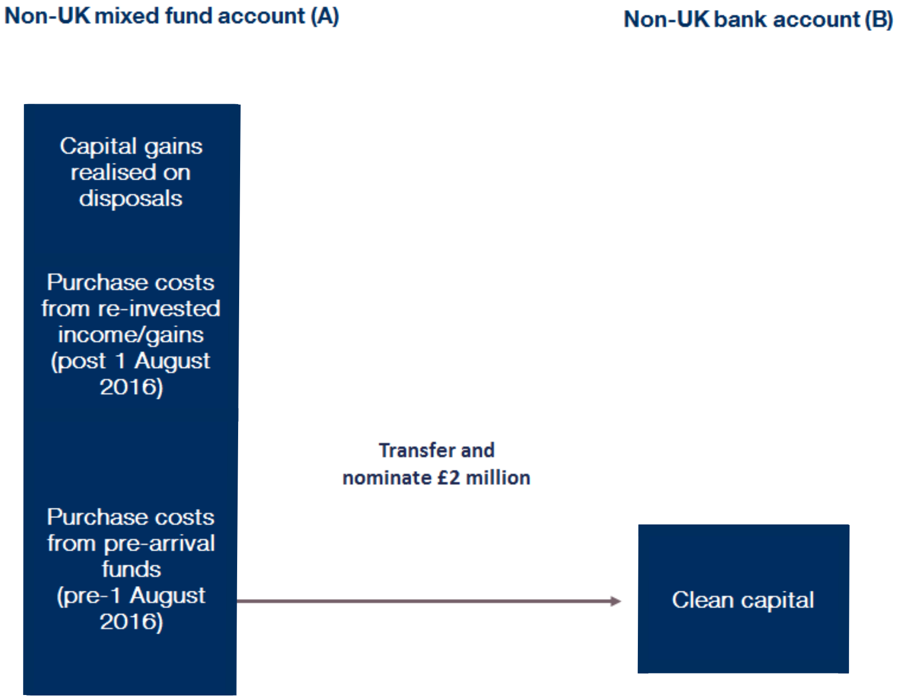
- The value of the shares had appreciated significantly since acquisition so Marco decided to sell the shares and realise the gains.

- We analysed the sale proceeds to calculate the gains and the clean capital comprised in the sale proceeds. The proceeds were cleansed by nominating the amount of clean capital totalling a further £2m and transferring it to the new clean capital account. Before the cleansing opportunity was introduced this would not have been possible as the capital gain would need to be remitted in order to separate it from the clean capital.

- The disposals will not trigger any capital gains tax in the UK as Marco will claim the remittance basis, and the gains will not be remitted to the UK. The gain monies can be retained offshore to fund overseas spending without any UK tax implications.

The result

- The introduction of the untangling rules enabled Marco to access additional clean capital totalling £3m.

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