



Non-domicile reforms update: one year on



It has been just over one year since sweeping reforms to the taxation of non-UK domiciled individuals came into effect on 6 April 2017.

In addition to the reforms that came into effect on 6 April 2017, it has been just over three months since further changes to the taxation of trusts became effective from 6 April 2018. To mark these milestones, we have briefly outlined below some of the main points to keep in mind in the new tax landscape.

General non-domicile reforms

- Introduction of a “deemed domicile” test for all UK tax purposes for individuals who have been resident in the UK in at least 15 of the past 20 tax years.
- Shortening the previous inheritance tax deemed domicile test from 17 years to 15 years.
- Specific measures introduced for individuals born in the UK with a UK domicile of origin (Formerly Domiciled Residents (“FDR”)) who are subject to a much harsher regime.

Please click [here](#) for more information on the changes to taxation of non-domiciled individuals.

Rebasing/mixed fund cleansing

- Individuals who became deemed domiciled in the UK as at 6 April 2017 (but not FDR), and who have paid the remittance basis charge are able to “rebase” foreign assets held as at 5 April 2017.
- Individuals who have used the remittance basis prior to 6 April 2017 (but not FDR) also have the opportunity to analyse their offshore mixed funds in order to restructure the money in a more favourable way. The opportunity is time-limited and is only available until 5 April 2019.

The rebasing and cleansing reliefs are complex but can achieve significant savings. Please see [here](#) for a recent case study example.

Non-dom reforms

Offshore trusts

- A number of complex reforms were made to the taxation of offshore trusts from 6 April 2017.
- Broadly, the income and capital gains rules have been aligned such that tax is payable by the settlor when matched with a payments or benefits.
- This is the case where the trusts are “protected” – a status which can be lost by the trust becoming “tainted”.
- Various other anti-avoidance measures were introduced from 6 April 2017 and 6 April 2018 regarding matching income and gains.
- A special regime applies for trusts established by FDR has been introduced which is much more punitive.

For information on this, see this [article](#).

Residential property and inheritance tax

- UK residential property has been brought fully within the scope of inheritance tax since 6 April 2017, regardless of how the property is held.
- Previously, UK residential property held through non-UK corporate vehicles would have been outside the inheritance tax regime.
- The rules are widely drafted and can also catch loans, guarantees, security or other collateral for such loans which have been used to fund UK residential property.

For information on this, see this [article](#).



The future

As well as the above legislated changes, further consultations are ongoing, including on the the taxation of non-UK residents disposing of 'property rich' companies amd the exstension of the non-resident Capital Gains Tax regime to commercial property interests.

If you would like to discuss any of the above changes, please speak with your usual Blick Rothenberg contact.



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