

UPDATE ON RESIDENCE AND DOMICILE

In the January issue, we reported on controversial new rules proposed by the government on residence and domicile.

As you may remember, the Pre-Budget Report announced that HMRC would be changing the rules on residence and domicile from 6 April 2008. The main proposals were:

- individuals who are resident (but not domiciled or ordinarily resident) will generally have to make a claim to be taxed under the favourable remittance basis;
- individuals who are taxed on the remittance basis will not be entitled to the personal allowance or capital gains tax annual exemption. There will be an exception to this rule where the unremitted foreign income and gains are less than £1000;
- individuals who are resident (but not domiciled or ordinarily resident) for longer than seven out of the past 10 years will only be able to use the remittance basis of taxation if they pay an annual charge of £30,000, again subject to the de minimis of £1,000; and
- amending the residence rules, so that days of arrival and departure to and from the UK will count towards establishing residence.

There are many concerns about the new rules and charges. The Daily Telegraph reported that:

‘Low-paid foreign workers could be hit by the Chancellor's plans to tax non-doms, accountants have warned.

After an outcry from high-earning people, the Institute of Chartered Accountants in England and Wales (ICAEW) said the changes will lead to "a tax rise for large numbers of low-earning non-domiciles".‘

HMRC issued a letter making some changes to the rules. Some media outlets reported a government climb down but that is certainly not the case. Whilst certain unintended consequences have been clarified, all of the above details look as though they will go ahead.

If you are potentially affected by these rules or have any questions or concerns please do get in touch.

Internet Links: [Telegraph article](#) [HMRC letter](#)