

UPDATE ON RESIDENCE AND DOMICILE

The government will implement a package of reforms announced in the 2007 Pre-Budget Report subject to certain changes. The measures will take effect from 6 April 2008.

The main proposal is that UK residents who are non-domiciled or not ordinarily resident, who wish to continue to be taxed on a 'remittance basis' rather than on their worldwide income and gains, will have to pay an annual tax charge of £30,000 on unremitted income and gains. Those with unremitted foreign income and gains of less than £2,000 will however be exempt from this charge.

The charge will apply if an individual has been resident in the UK for at least seven out of the previous ten tax years. Individuals will be able to decide each tax year whether to pay the charge and be taxed on the remittance basis or be assessed on their worldwide income and gains.

Key changes include:

- users of the remittance basis will lose their automatic entitlement to certain allowances, such as the personal allowance and the capital gains annual exemption (unless the £2,000 de minimis applies)
- children will not pay the £30,000 charge
- the £30,000 charge should be creditable against foreign tax
- art works brought into the UK for public display or for repair and restoration will face no new tax charges
- income and gains in offshore trusts will only be taxed when they are remitted to the UK, even if these come from UK assets
- changes will be made to the current rules on remittances to restrict the ability of individuals to sidestep UK tax on income and gains where HMRC believe it is due.

In addition, from 6 April 2008, when determining if an individual is resident in the UK, any day where the individual is present in the UK at midnight will be counted as a day of presence in the UK for residence test purposes. There will be an exemption for passengers who are temporarily in the UK whilst in transit between two places outside the UK.

Please do get in touch if you want any further advice in this area.

Internet link: [HMRC residence and domicile guidance](#)