

Non-dom tax series (Part 1)

The most significant changes to the taxation of UK resident non-doms for nearly a decade came into force on 6 April 2017. Central to the changes are the new deemed domicile rules. Here we provide a quick guide to when a non-dom will become deemed domiciled and how long it takes to lose a deemed domicile.



UK TAXATION OF NON-UK DOMICILED INDIVIDUALS: NEW UK DEEMED DOMICILE RULES

If you have been in the UK for 15 years or more, or have a UK domicile of origin and were born in the UK, you will now be UK deemed domiciled for all tax purposes. You can lose your UK deemed domicile if you become non-UK resident – but you will normally need to be non-UK resident for a number of years.

UK DEEMED DOMICILE – RULES IN FORCE FROM 6 APRIL 2017

NON-UK DOMICILED INDIVIDUAL WHO WAS NOT BORN IN UK WITH UK DOMICILE OF ORIGIN	NON-UK DOMICILED INDIVIDUAL WHO WAS BORN IN UK WITH UK DOMICILE OF ORIGIN
<p>Income tax & CGT</p> <ul style="list-style-type: none"> • non-dom will be UK deemed domiciled in a tax year for income tax and CGT purposes if he has been resident for at least 15 of the 20 tax years immediately preceding the relevant tax year, and at least one of those tax years begins after 5 April 2017 	<p>Income tax & CGT</p> <ul style="list-style-type: none"> • non-dom will be UK deemed domiciled in a tax year for income tax and CGT purposes if he is tax resident in that tax year
<p>Inheritance tax</p> <ul style="list-style-type: none"> • non-dom will be UK deemed domiciled at any time for IHT purposes if <ul style="list-style-type: none"> • he was UK domiciled (under general principles) within the three (calendar) years immediately preceding the relevant time; or • he <ul style="list-style-type: none"> - was UK resident for at least 15 of the 20 tax years immediately preceding the tax year in which the time falls, and at least one of those tax years begins after 5 April 2017; and - was UK resident in at least one of the four tax years ending with the tax year in which the time falls <p>To avoid becoming UK deemed domiciled a non-dom must cease being UK resident before the end of year 14</p>	<p>Inheritance tax</p> <ul style="list-style-type: none"> • non-dom will be UK deemed domiciled at any time for IHT purposes if <ul style="list-style-type: none"> • he was UK domiciled (under general principles) within the three (calendar) years immediately preceding the relevant time; or • he <ul style="list-style-type: none"> - is UK resident in the tax year in which the time falls; and - was UK resident in at least one of the two tax years immediately preceding the tax year in which the time falls

LOSING DEEMED DOMICILE STATUS	LOSING DEEMED DOMICILE STATUS
NON-UK DOMICILED INDIVIDUAL WHO WAS NOT BORN IN UK WITH UK DOMICILE OF ORIGIN	NON-UK DOMICILED INDIVIDUAL WHO WAS BORN IN UK WITH UK DOMICILE OF ORIGIN
<p>Income tax & CGT</p> <ul style="list-style-type: none"> • non-dom will lose UK deemed domiciled status for income tax and CGT purposes after six complete tax years of non-UK residence • after six complete tax years of non-UK residence he can return to the UK and be resident for a further 15 tax years before becoming UK deemed domiciled again 	<p>Income tax & CGT</p> <ul style="list-style-type: none"> • if he has not been resident for 15 of the last 20 tax years non-dom will cease to be UK deemed domiciled for income tax and CGT purposes in his first tax year of non-UK residence • if he has been resident for at least 15 of the last 20 tax years non-dom will lose his UK deemed domiciled status for income tax and CGT purposes after six complete tax years of non-UK residence
<p>Inheritance tax</p> <ul style="list-style-type: none"> • non-dom will cease to be UK deemed domiciled for IHT purposes after three consecutive tax years of non-UK residence (so from the start of the fourth tax year of non-residence his non-UK assets will not be subject to IHT provided he remains non-UK resident in that tax year) • but if he returns to the UK and becomes UK resident again before he has been non-UK resident for six complete tax years he will be UK deemed domiciled for IHT purposes (and for income tax and CGT purposes) in the tax year of his return 	<p>Inheritance tax</p> <ul style="list-style-type: none"> • if he has not been resident for 15 of the last 20 tax years non-dom will cease to be UK deemed domiciled for IHT purposes in his first tax year of non-UK residence • if he has been resident for at least 15 of the last 20 tax years non-dom will cease to be UK deemed domiciled for IHT purposes after three consecutive tax years of non-UK residence (so from the start of the fourth tax year of non-residence his non-UK assets will not be subject to IHT provided he remains non-UK resident in that tax year)

**UK DEEMED DOMICILE – RULES IN FORCE BEFORE 6 APRIL 2017
(deemed domicile applied for IHT purposes only)**

- non-dom was deemed domiciled in UK for IHT purposes only if he
 - was UK resident in 17 out of 20 tax years ending with the tax year in which the relevant event occurred; or
 - was domiciled (under general principles) in the UK within the three (calendar) years before the relevant event

This note is a general guide only and is not a substitute for specific legal and tax advice.



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 - > Wealth management institutions > Wealth structuring