



# Significant proposed reforms to the taxation of Non-Domiciles

It is proposed that the new rules will come into effect from April 6th 2017. There will be no grandfathering clauses; therefore, the rules will apply to all non-domiciled individuals regardless of their current residence status or how long they've been in the UK.

- Permanent non-domicile status will be abolished, and non-domiciled individuals who have resided in the UK for 15 of the preceding 20 years will become 'Deemed-Domiciled' for all UK tax purposes and be subject to UK taxation on all worldwide income and gains
- It remains possible for a non-domiciled individual to settle an excluded property trust prior to becoming deemed-domiciled
- Under the proposed measures HMRC will look through offshore structures for IHT purposes in respect of UK residential property and hence such structures will not offer IHT protection for UK residential property
- Individuals with a UK domicile of origin who establish a domicile of choice elsewhere will revert to their UK domicile of origin should they take up UK residence
- Trust structures established by these individuals will lose all non-domicile tax benefits, including IHT protection once UK residency recommences
- Note that for individuals who remain non-domicile, excluded property trusts remain effective with the exception of UK residential property holding
- Deemed-domiciled individuals who have resided in the UK for 15 or more years can leave the UK for 6 consecutive years and return after this period having lost deemed-domiciled status and then claim non-domiciled status for another 15 years
- Deemed-domiciled individuals who cease to reside in the UK will continue to be deemed-domiciled for up to 6 years following their departure. This is for IHT purposes only and will not affect income or capital gains tax
- An extension to the IHT nil rate band will be phased in, to reach £500,000 by 2020-21 (married couples or civil partners will have a combined nil rate band of £1,000,000)

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If you would like to discuss how any of these proposed changes may affect you, please do not hesitate to contact one of our tax team members.

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