

The Budget Proposals Non UK Doms

There was good news and bad news for non UK domiciled individuals in last week's budget.

The bad news

From 2012/13 the remittance basis charge (RBC) paid by those who elect not to pay tax on unremitted foreign income will be increased to £50,000 per year for those who have been UK resident for 12 or more years.

Some individuals who have found it beneficial to pay the RBC in the past may decide they should now be taxed on the arising basis instead. When the RBC was introduced and the top tax rate was 40% it was beneficial, for example, to pay the RBC if your foreign income exceeded £75,000. In future, taking into account the increase in both the top tax rate and the RBC charge, it will generally be beneficial to pay the RBC only if your foreign income exceeds £100,000.

The better news

The Government has promised here will be no changes in the tax rules for non-doms in future budgets in this Parliament and certain rules are to be simplified to cut down on administrative burdens.

The good news

There is also some good news for non doms using the remittance basis.

There is to be a relaxation in what constitutes a remittance with effect from 6 April 2012.

If money is brought into the UK to invest in a commercial UK business venture it will not constitute a remittance so will not increase the person's tax liability over and above the RBC.

No further details about this measure are available at present and the Government will be issuing a consultation document in June, so watch this space. It is expected that the same sort of tests which apply to other tax privileged schemes would apply so, for example, the investment would have to be into a qualifying trading business.

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