George H Young BA CA
Gordon S Chisholm CA
Colin Crombie CTA
Gill Adamson BSc (Hons) CA CTA
Martin S Thomson FCCA
Associates:
Steven A Reid CA
Mark Thompson CTA ATT

Client Briefing Note

Number 3 – September 2008

Domicile Tax Changes

The headlines over recent months surrounding the changes in tax rules for non domiciled taxpayers or 'non doms' are only important to a wealthy few in London and our other major cities aren't they …..? Perhaps not ; the changes are wider reaching than you would expect and could affect many on low incomes, employees and others in our area.

Firstly, what is domicile ? The easiest way to describe this complex legal concept is the place where you belong in the world, it is usually the country which you would consider your real or permanent home. A domicile is usually acquired at birth from your father and to determine a person's domicile it is therefore necessary to consider the family history. If you (or your father) originate from or were born outside the UK, you may be considered a 'non dom' for tax purposes. This status applies to millions of people in the UK and the number grows with every new wave of migrants.

A 'non dom' can achieve many tax breaks such as overseas rental and investment income, certain overseas earnings and also gains on disposals of overseas assets, can in the correct circumstances be exempted from UK tax provided they are not brought into the UK. This is what is known as 'the remittance basis'. Additional breaks are available in respect of Inheritance Tax.

So what do the changes mean if you are 'non dom' ? The new rule is that if you have lived in the UK for more than seven years you will have to pay an annual levy of £30,000 to use the remittance basis or alternatively pay UK tax on your overseas income sources and gains from 6th April 2008.

This is likely to be beneficial only for the mega rich but there is a second situation which will be far more common. 'Non doms' who have £2,000 or more of overseas income have a tax decision to make regardless of how long they have been in the UK - either give up their UK tax personal allowance (currently £6,035) and opt for the remittance basis (which must be claimed) or declare and pay UK tax on the overseas income. The best option to choose will depend on individual circumstances. Many 'non doms' may therefore be facing an increased burden, both in terms of completing tax forms and paying larger tax liabilities.

And what of employers? Many businesses in the area will be employing migrant workers, some of whom could have earnings or other income sources such as rent or other investment income 'back home' and will be affected by the new rules. Have businesses considered the tax position of their employees? Do the coding notices they are operating to calculate tax on wages include personal allowances and is this correct? This is an area likely to be targetted by H M Revenue and Customs and perhaps business owners would be well advised to address the issue to avoid coming under scrutiny or having a workforce disgruntled by tax bills and problems.

The new 'non dom' rules go far beyond the headline grabbing mega rich and in our ever more culturally diverse region, there are many individuals and businesses who should be considering taking detailed tax advice.

Based on law in force as at September 2008

For further details please telephone 01573 224391 or email:

mail@renniewelch.co.uk

George H Young BA CA	- george.young@renniewelch.co.uk
Gordon S Chisholm CA	- gordon.chisholm@renniewelch.co.uk
Colin Crombie CTA	- colin.crombie@renniewelch.co.uk
Gill Adamson BSc (Hons) CA CTA	- gill.adamson@renniewelch.co.uk
Martin S Thomson FCCA	- martin.thomson@renniewelch.co.uk
Associates:	
Steven Reid CA	- steven.reid@renniewelch.co.uk
Mark Thompson CTA ATT	- mark.thompson@renniewelch.co.uk

Rennie Welch LLP
Academy House
Shedden Park Road
Kelso
Roxburghshire
TD5 7AL

www.renniewelch.co.uk