



# BRIEFING NOTE NOVEMBER 2015

## TAXATION OF NON-DOMICILE INDIVIDUALS

The government has recently announced reforms to the taxation of non-UK domiciled individuals which will significantly impact the ability of such individuals to elect for the “remittance” basis of taxation in the future.

### The current rules

Currently, long-term residents of the UK who are not judged to be domiciled in the UK can claim the “*remittance basis of taxation*”, which on the payment of an annual charge allows for an individual to *only* pay tax on their foreign income and gains in a particular tax year where those gains have been received and enjoyed (remitted) in the UK.

Long-term residents of the UK are those who are not domiciled in the UK, are aged 18 or over in a tax year and either:

- Have been resident in the UK in at least 17 out of the 20 previous tax (“**17-year residence test**”) - *in which case the annual remittance charge is £90,000.*
- Do not meet the 17-year residence test, but have been resident in the UK in at least 12 out of the 14 previous tax years (“**12-year residence test**”) - *in which case the annual remittance charge is £60,000.*
- Do not meet either the 17-year or 12-year residence tests, but have been resident in the UK in at least 7 out of the 9 previous tax years (“**7-year residence test**”) - *in which case the charge is £30,000.*

### Changes to the rules and implications

New reforms announced by the government, which are scheduled to take effect from 6 April 2017, will mean that from this date:

- Individuals who have been UK resident for more than 15 out of the last 20 tax years will be deemed to be UK domiciled for all tax purposes (the “**15 year rule**”); and
- Individuals with a UK ‘Domicile of Origin’ will be deemed to be UK domiciled for all tax purposes whenever they are resident in the UK
- 

An individual who is “*UK domiciled for all tax purposes*” will suffer income tax and capital gains tax on their worldwide income and gains.

The introduction of the 15-year rule means that the 17-year residence test will become redundant from the 6 April 2017 and any person who was previously treated as non-domiciled in the UK but who has been a UK resident for 15 of the last 20 tax years will be taxed on their worldwide income and gains.

© Copyright 2015 GSC Solicitors LLP. All rights reserved.

Disclaimer: This information sheet has been produced by the partners at GSC and is for private circulation only. The material contained in this document may not be reproduced in any form without prior permission from GSC. Whilst every care has been taken in preparing the document, we cannot be held responsible for any errors which it may contain. In the case of a specific problem, it is recommended that professional advice is sought.

GSC Solicitors LLP is a limited liability partnership registered in England and Wales with company number OC337448. Registered office: 31-32 Ely Place, London, EC1N 6TD. GSC is authorised and regulated by the Solicitors Regulation Authority. A list of the members of the LLP is available for inspection at the registered office, together with a list of those non-members who are also designated as partners. We use the work “partner” to refer to a member of the LLP, or to an employee or consultant with equivalent standing and qualifications.