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HMRC Alert Tax Residence



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HMRC Consultations on Statutory Residence Test and Reform of Taxation of Non-Domiciled Individuals

At Budget 2011 the Government announced that it would introduce a statutory definition of tax residence and reform the taxation of non-domiciled individuals. Consultation documents have now been published setting out the Governments proposals on both areas.

The aim of the statutory definition of tax residence is to create clear rules that provide greater certainty for taxpayers that are simple to use as the current rules that determine tax residence for individuals are complicated and unclear. The consultation proposes a framework for a statutory residence test (SRT) and the Government is welcoming views on the design and implementation until 9 September 2011.

The objectives of the reforms outlined in the consultation for the taxation for non-domiciled individuals are to ensure non-domiciled individuals, especially those who have been resident in the UK for many years, make a fair tax contribution and to encourage non-domiciles to invest in the UK. Again the Government is welcoming views and comments on the proposal until 9 September 2011

A summary of responses, for both consultations, will be published by the Government in the autumn. Draft legislation will be published for comment later in 2011 with a view to final legislation in the Finance Bill 2012. It is intended that the proposals outlined in the consultations will take effect from 6 April 2012.

Non-residence and Full-time work abroad

HMRC have also recently made a revision to HMRC6 with regard to “incidental duties” carried out in the UK when an individual has become non-resident by leaving the UK to work full-time abroad.

For 2011/12 as a general rule if the UK work is for less than 10 days per annum HMRC will accept that UK duties are “incidental” without further investigation. If more days are spent, it does not automatically mean the position will be challenged but each case will be based on the individual facts.

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Action Required

Whilst we anticipate that the introduction of a statutory residence test should not alter the tax status for the majority of individuals there are circumstances where there will be a profound affect which may result in exposure to a potential UK tax liability. As the proposed changes are due to take effect from 6 April 2012 it is important that any advice or planning opportunities are dealt with prior to the end of the current tax year.

Please contact us if you wish for a review of your personal circumstances to be undertaken based on the changes announced and the current available information to explore how these may affect your tax status and in particular ahead of the 2012/13 tax year.

The following are links to both consultation documents.

http://www.hm-treasury.gov.uk/d/consult_condoc_statutory_residence.pdf

http://www.hm-treasury.gov.uk/d/consult_condoc_non_domicile_individuals.pdf

If you have questions please contact either Richard Britten (richard.britten@aab.co.uk) or Karen Groat (karen.groat@aab.co.uk).



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