



GMS Flash Alert



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United Kingdom - Updated Guidance from HMRC on Non-Dom Rules

HM Revenue & Customs (HMRC) has published guidance on the new rules for individuals who are non-U.K. domiciled as well as for offshore trusts, which are in effect from 6 April 2017.¹

WHY THIS MATTERS

The rules around non-U.K.-domiciled individuals (“non-doms”) impact the tax advantages enjoyed up until recently by non-doms living in the United Kingdom, and bring worldwide income and capital gains tax under the rules.

If you are a non-dom, these new rules could impact you and there are actions you need to consider.

Highlights of Updates, Changes, and Available Resources

As had been awaited, HMRC has published guidance on the new rules for individuals who are non-U.K. domiciled, and for offshore trusts, which apply from 6 April 2017 and were legislated in the Finance (No.2) Act 2017. (For prior coverage, see the following issues of *GMS Flash Alert*: [2017-175](#) (22 November 2017) and [2017-048](#) (9 March 2017).)

This HMRC guidance, entitled “Deemed Domicile Changes from 6 April 2017,” currently consists of the following:

[Business Investment Relief \(BIR\)](#) – The existing BIR guidance has been updated to include the Finance (No.2) Act 2017 changes.

[Cleansing of Mixed Funds](#) – This guidance provides a high-level summary with examples of these transitional rules which allow a window up until 5 April 2019, to enable division of the income, capital gains, and “clean” capital elements

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of existing non-U.K. bank accounts into separate accounts. If managed correctly, this would enable any non-dom who has previously been taxed on the remittance basis prior to 2017/18, to remit to the U.K. without a tax charge “clean” capital from overseas which was previously trapped within a mixed fund.

[Deemed Domicile Rules](#) – A new, short, high-level summary explaining the deemed domicile rules.

[Overseas Workday Relief \(OWR\)](#) – The existing guidance (RDR4) has been updated to include the Finance (No.2) Act 2017 changes.

[Remittance Basis Changes](#) – A new, short, high-level summary explaining that individuals who become deemed domiciled will no longer be able to use the remittance basis and will be taxed on worldwide income and gains.

[Residence, Domicile and Remittance Basis Guidance \(RDR1\)](#) – The existing HMRC guidance set out in RDR1 has been updated and expanded to include the Finance (No.2) Act 2017 changes. RDR1 now includes basic guidance about the new deemed domicile rules for non-U.K. domiciled individuals who are long-term U.K. residents.

[Trust Protections and Capital Gains Tax Changes](#) – This new guidance, which takes the form of a detailed 54-page document, primarily covers the new rules for offshore trusts. This includes income tax and capital gains tax ‘protections’ for offshore trusts, transfer of assets abroad legislation trust protections, how trust protections can be lost through tainting and the valuation of benefits received from offshore trusts. In addition, this guidance also covers the transitional rules enabling individuals becoming deemed domiciled in April 2017 to be able to benefit from re-basing of certain foreign assets to their market value on 5 April 2017. It also covers the changes to the rules for temporary non-residents, foreign loss elections, and carried interest gains.

KPMG LLP (U.K.) NOTE

At the moment the documents published do not yet include guidance on the Finance (No.2) Act 2017 provisions extending the U.K. inheritance taxation (IHT) net to all residential properties in the U.K. that are owned by non-doms, whether the non-doms and any companies that own the properties are resident in the U.K. or not. These changes include those who lend money or provide security to purchase U.K. residential property.

FOOTNOTE:

1 HMRC’s [“Deemed Domicile Changes from 6 April 2017”](#) (1 February 2018).

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RELATED RESOURCE

This GMS *Flash Alert* article excerpts, with permission [“HMRC guidance on new non-dom rules”](#) (2 February 2018) a publication of the KPMG International member firm in the United Kingdom.

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