

## Reform of the Non-Dom Regime

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17 July 2017

**Note:** The government finalised the reform of the non-dom regime, and this was part of the second Finance Act of 2017 which gained Royal Assent on 16 November 2017 - please see our technical update "Reform of the non-dom regime – Summary".

### NON-DOM CHANGES CONFIRMED

The government has confirmed its intention to introduce major changes to the taxation of 'nondoms' with effect from 6 April 2017.

The changes will not be deferred to 2018, as some had thought.

The rule changes - which were due to be included in Finance Bill 2017 but then removed because of the timing of the snap General Election - will be re-introduced in a second Finance Bill. The new Finance Bill will be published after Parliament's summer recess.

Clients who restructured their affairs before 6 April 2017 in anticipation of the new rules can take added comfort from this latest announcement.

Those wishing to take advantage of the ability to "rebase" assets to their 5 April 2017 market value for capital gains tax purposes or make use of the new "cleansing" rules to facilitate remittances to the UK from overseas mixed fund accounts can proceed with caution.

In view of the current political climate, we would recommend that those clients who want more certainty should wait until the new Finance Bill has passed through Parliament before acting. The final form of the rules will not be certain until the Finance Bill receives Royal Assent.

Any clients who have not yet reviewed their position, or who are approaching 15 years of UK residence, should be using this time to consider the planning opportunities available to them.

### PLANNING FOR OFFSHORE TRUSTS BEFORE 6 APRIL 2018

Non-UK trustees may have a limited period of time to make distributions before 6 April 2018 which could, in some cases, significantly improve the tax position for UK resident beneficiaries going forward.

Before the publication of Finance Bill 2017, the government announced a number of changes to tighten up the existing rules in the following ways:

- Preventing stockpiled capital gains from being washed out to non-UK resident beneficiaries.
- Treating trust benefits received by "close family members" of the settlor as arising to the settlor.
- Ensuring that the ultimate recipient of a trust distribution is taxed on any trust income or gains, rather than the original recipient where an onward gift is made (the "anti-conduit" / "recycling" rule).

These rule changes were not included in Finance Bill 2017. However, the government confirmed that the rules could be introduced in a future Finance Bill, i.e. without retrospective effect. It is sensible for offshore trustees to seek advice now, and plan on the basis that the new rules could apply from 6 April 2018.

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