



Buying a house in the UK

Foreign Domiciliaries

- The UK continues to attract overseas individuals to its shores. Our tax system offers a number of advantages to foreign domiciliaries wishing to spend time here, but it can also present them with some unforeseen tax liabilities. This is particularly the case when acquiring residential property in the UK.
- Many foreign domiciliaries purchase valuable homes in the UK for themselves and their families. The potential tax implications can however be significant.
- Bringing funds into the UK to buy a home can in certain circumstances itself trigger substantial income tax and/or capital gains tax liabilities.
- The overseas assets of foreign domiciliaries will generally escape inheritance tax on death. Their UK property will however be subject to inheritance tax unless steps are taken to prevent this.
- Conventionally, a foreign domiciliary would save inheritance tax by acquiring a UK property through an offshore company, with the company often wholly owned by an offshore trust. This arrangement has however come under attack from HM Revenue & Customs. The company may now be treated as resident in the UK (even though it was incorporated abroad). There is also a serious risk that the foreign domiciliary may incur a significant annual income tax charge in respect of the benefit they receive from their rent free occupation of the property.
- Foreign domiciliaries who purchase their UK home through such structures also risk being liable to pre-owned assets tax. This income tax charge may be imposed where an individual has contributed funds to a company or trust to acquire a UK property which he then occupies and is based on the market value of the property.
- We have developed structures for our clients that will protect their UK homes from inheritance tax and avoid these potential income tax charges. We have also assisted clients in planning for future changes in the domicile regime which may affect their UK tax position.

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Contact

If you would like advice on the most tax efficient way to structure and fund the acquisition of your home in the UK, or are interested in any other services that we can offer, please contact:

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