

# Remittance planning

## Spending offshore income in the UK tax free

The UK Government's attacks on non-doms have made it increasingly difficult for non-doms to spend their foreign and offshore income and gains in the UK without paying UK tax – even if they pay the now-infamous £30,000 charge for the use of the "remittance basis".

We have developed a cutting-edge structure which can offer our non-dom clients a return to the "good old days" of tax free UK living – at least for significant capital spending, such as the purchase of UK real estate.

### Problem

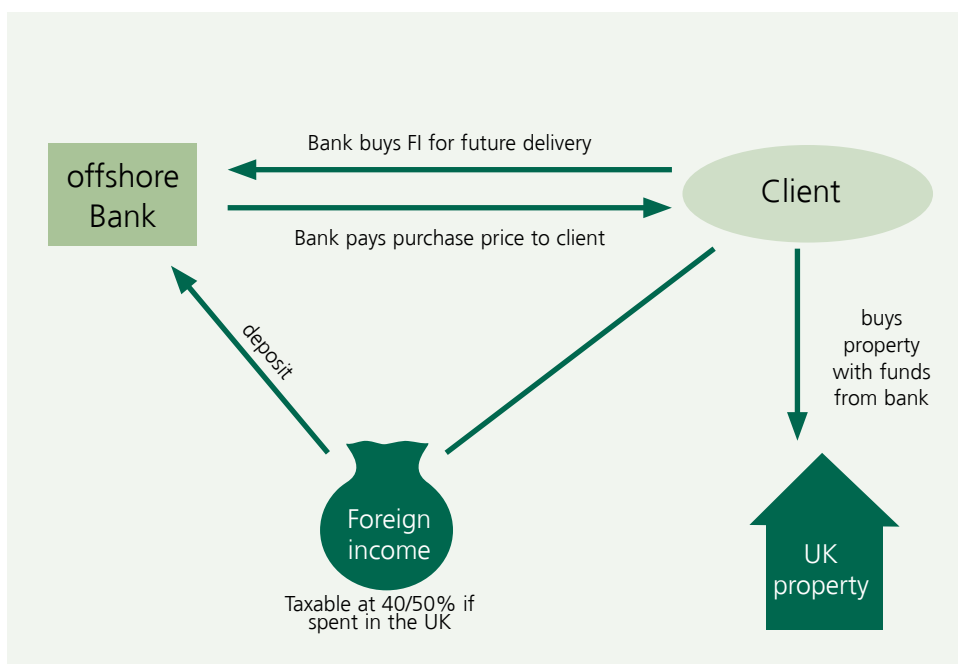
Suppose you want to buy a house in the UK. Your available cash consists of foreign and/or offshore income, which would suffer UK tax at 40% (or 50% from 2010) if you spend it in the UK, or if you use it as security for a mortgage.

### Benefits of our structure

- You can effectively use your foreign and/or offshore income to fund your UK house purchase, saving the 40% or 50% UK tax that would otherwise be payable.
- This structure can also be used for other capital expenditure in the UK, e.g. to invest in a UK company or business.
- This is fairly "aggressive" tax planning, so you should be aware that there may be a risk of challenge by the UK Revenue.

### The structure

- You enter into a specially structured contract with a non-UK bank to sell a marketable financial instrument to the Bank.
- The Bank pays you the purchase price for the financial instrument now, but you are not obliged to transfer the financial instrument until a set future date, e.g. in 10 years' time (the "Transfer Date").
- You deposit your foreign cash with the Bank as security for your obligation to transfer the financial instrument on the Transfer Date. The Bank may also take security over the UK house.



- The sale proceeds of the financial instrument are "tax clean" funds – so you can spend this money in the UK tax-free, e.g. to buy the UK house.

### What happens next?

- You can fulfil your obligation to transfer the financial instrument without triggering a UK tax charge, but you will have to take care in how you structure the transfer (we can advise you on this).
- If you want to sell the UK house before the Transfer Date, you can either roll over the funds into a new property or we can advise you on how to structure an early completion of the contract without triggering UK tax.
- If you want to keep the UK house beyond the Transfer Date, we can advise you on how to structure an extension of the contract without triggering UK tax.

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*The Lawyer, June 2009*





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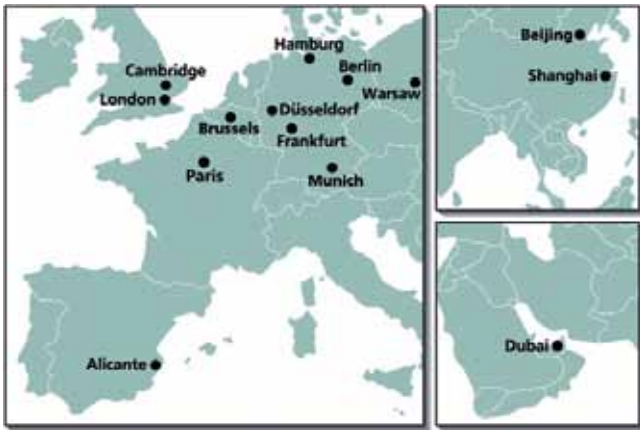
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