

Tax planning for non-doms

Bringing money into the UK tax free

Until 2008, when the UK's Labour Government made its now-infamous attack on non-doms, it was relatively easy for a non-dom to spend his non-UK income and gains in the UK without paying UK tax.

This is now much more difficult to achieve as the old techniques, such as offshore gifts and source ceasing, have now been blocked and the rules tightened severely.

We have developed a number of new structures which can still offer our non-dom clients a degree of tax-free UK living.

Using pre 5 April 2008 income and gains

- You can use your foreign income/gains to buy an asset in the UK, by structuring the ownership of the asset with your spouse as "tenants in common" (see diagram).
- You use the foreign income/gains to make a soft loan to your spouse, who uses the money to buy up to 80% of the asset. You then buy the remaining 20% from your own funds (paying tax on this 20% if necessary). The key advantage is that the 80% funds used by your spouse are UK tax free, and the soft loan can remain outstanding indefinitely.
- A loan can be made to your spouse or partner on market terms from your foreign income or gains. The loan proceeds can then be brought to the UK and enjoyed by both of you.

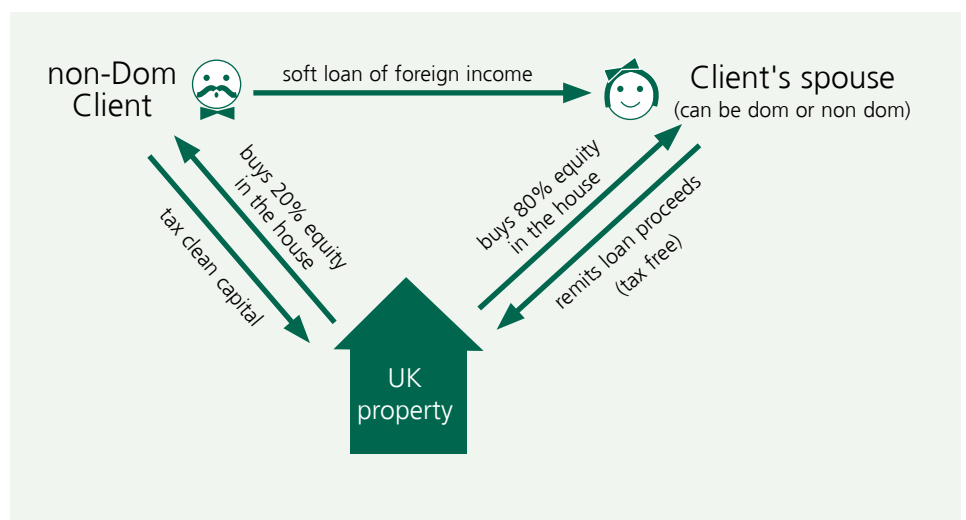
Using post 6 April 2008 income and gains

- You can loan income or gains on market terms to your adult children, who can bring the money into the UK and use it for your benefit.

Pre-arrival structuring

Ring-fencing

You are, in general, exempt from UK tax on income and gains received before you



become a UK resident. However, much of this benefit may be lost if, after arrival in the UK, you mix your exempt funds with new income/gains.

With pre-arrival structuring, you can ring-fence the benefit of the exemption for your pre-arrival money and for assets bought with pre-arrival money (while keeping the assets).

By ring-fencing the benefit of the exemption, you create a pool of "tax clean" value which you can draw down upon after your arrival in the UK, and use for UK spending tax free.

This is also effective where the pre-arrival money is expected to become mixed with income/gains arising after you become UK resident, e.g. in an investment portfolio where the income is re-invested.

Rebasing

Suppose you have a valuable capital asset, which you wish to keep after your arrival in the UK, intending to sell it only after you have become a UK resident.

If you sell a capital asset after you become UK resident, you have to pay UK tax on the whole gain since acquisition (not only the gain since your arrival in the UK).

You can use pre-arrival structuring to rebase capital assets to the value at the time of your arrival, thus saving UK tax on the pre-arrival element of the gain. This can be combined with the pre-arrival ring-fencing.

“The team handles a wealth of cross-border work, including complex investment structuring arrangement”
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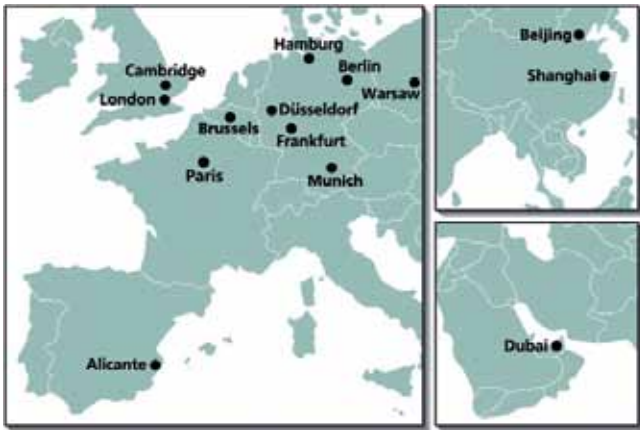
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