

DOMICILE**Change of Approach by HMRC**

HMRC have recently published new guidance on domicile and change of approach which requires immediate attention by non domicilliaries.

The domicile of an individual can affect his or her liability to tax in the UK, including the ability to use remittance basis in respect of overseas income and gains and inheritance tax liability on assets situated overseas.

What is Domicile?

Domicile is a matter of general law and based on facts. There are three types of domicile relevant to income tax and capital gains tax. ***Domicile of origin*** is acquired at birth ***Domicile of choice*** is acquired on indefinite or permanent settlement in a country and ***Domicile of dependence***.

HMRC's New Approach

HMRC will no longer accept initial non domicile claims on forms DOM 1 or forms 86. Form DOM 1 is being withdrawn completely.

Instead individuals will have to self assess their domicile status as part of their Self Assessment tax return on a year by year basis. This formally opens up the door for HMRC to query an individual's domicile status.

Any ruling originally given may become less of a useful indicator over time and will need to be reviewed regularly.

HMRC state "*...if you say that you have a non domicile status, then.....we might want to enquire whether or not that is correct. By its very nature, this sort of enquiry whether or not correct, will be an in-depth examination of your background, lifestyle and intentions over the course of your lifetime. Any enquiry of this sort will extend to areas of your life, and that of your family, that you might not ordinarily think are relevant to your tax affairs*".

Who is Affected the Most?

If your tax affairs are arranged on the basis that you are not domiciled in the UK and you

- are now retired; or
- were born in the UK; or
- have been resident in the UK for over 20 years; or
- had a domicile ruling from HMRC over 5 years ago

it is very important to review your domicile status and obtain documentation to support the connections and future intentions.

At Godley & Co we have over 25 years of experience in advising on the non domicile status of individuals. Please contact us to arrange a meeting to discuss your domicile status if it is relevant to your UK tax liability

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