

News Release

IMMEDIATE RELEASE

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WJB CHILTERN SETS OUT 5-POINT PLAN FOR CHANGES TO DOMICILE AND RESIDENCE TAX RULES

In response to the Government's background paper issued on Budget day, the independent tax consultancy, WJB Chiltern has submitted a formal response discouraging any major changes. However WJB Chiltern have also identified 5 key changes that they would support if the government proceeds with making changes to the current UK domicile and residence tax rules.

Director of tax services, Mark Lee, comments on each of the 5 points below:

- **Adopt a formulaic approach to residence based on days of physical presence here.**

"We consider that there may be some merit in abolishing the current residence rules, which are complex and sometimes uncertain in their effect. They could be replaced with a test which is based solely on the number of days present in the UK in a particular tax year (eg: more than 183)"

- **Abolish the concept of ordinary residence**

"We believe that, the maintenance of two concepts within the current 'residence' rules, ie: residence, and ordinary residence, is confusing and of little merit. The status of 'ordinary resident' is vague, open to interpretation and potentially unfair."

- **Abolish the remittance basis for taxing non-UK domiciliaries' income and capital gains in favour of a blanket exemption for offshore income.**

"Such a change could be expected to increase rather than decrease the contribution made by non-UK domiciliaries to the UK exchequer and economy in terms of spending power, indirect taxes and the employment of others."

- **Introduce a rebuttable presumption that non-domiciliaries resident in the UK for 17 out of 20 years are deemed domiciled here thereafter.**

“Whilst we are not convinced that any changes need to be made to the basis of taxing non-domiciliaries we recognise that the Government may determine otherwise. If changes are to be made we suggest that they be limited to impact only those who have lived here for a long time (eg: 17 out of 20 years, which ties in with the deemed domicile rules for inheritance tax purposes).”

- **Introduce a specific, fixed expatriate deduction for ‘short-term’ expatriates.**

“The purpose of this would be to encourage key skills and workers to the UK, whilst removing the subjective rules that currently apply and act as a disincentive to short-term assignments in the UK.”

- ENDS -

Notes to Editors

The Government background paper entitled “Reviewing the residence and domicile rules as they affect the taxation of individuals”, was published by Chancellor Gordon Brown at the time of 2003 Budget. He originally announced a review of the rules in his 2002 Budget.

WJB Chiltern’s formal response includes an executive summary, background comments, observations, full details of its 5-Point plan and answers to the specific questions posed by the background paper.

Mark Lee is Director of tax services at WJB Chiltern and Chairman of the ICAEW tax faculty.

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