

A guide to

The Non-Domicile Levy

### A SIMPLE GUIDE TO THE NON-DOM LEVY

This is a basic guide prepared by the Technical Advisory service for members and their clients. It is an introductiononly and should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

**The NON-DOMICILE LEVY**

Non-UK domiciled individuals can elect for their overseas income to be taxed on the amount of remittances made to the UK in a fiscal year. Until 2008, they could do this without charge.

The 2008 Finance Act imposed a charge of £30,000 if they elected for the remittance basis provided:

* they are at least 18 years old at any time during the tax year; and
* have been UK resident for at least five out of seven of the preceding tax years.

The remittance basis will apply automatically, with no levy, if:

* the individual’s unremitted income or gains are less than £2,000 in a tax year; and
* the individual has been resident in the UK for fewer than seven out of the last nine years.

This remains unchanged for individuals who have been UK resident for less than 12 years.

Individuals who have been resident in the UK for 12 out of the last 15 years currently pay a £50,000 levy if they wish to claim the remittance basis. From 2015/16 this charge is to be increased to £60,000.

A third tier of charge is to be introduced for those individuals claiming the remittance basis, who have been UK resident for 17 out of the last 20 years; this is to be £90,000.

The final proposal is that the election, which is an annual election, may instead cover a three-year period. This is subject to consultation but may make planning more difficult for non-UK domiciled individuals.

**SCOPE OF THE LEGISLATION**

* UK trusts that receive income or gains from outside the UK may be subject to the levy if the settlor or beneficiary is based in the UK
* spouses and civil partners are each liable to a separate levy
* money brought into the UK to pay the levy will not be subject to UK tax
* works of art lent for public display are exempt from a charge to tax
* assets already in the UK that were purchased with foreign investment income will not give rise to a remittance charge.

The levy will be collected through the self- assessment system; the deadline for electing for the remittance basis is 31 January following the end of the fiscal year.

**DEFINITION OF DOMICILE**

**Domicile of origin:** Domicile of origin is normally the domicile of the individual’s father, if the parents are married; otherwise it is the mother’s domicile.

**Domicile of choice:**An individual may abandon their domicile and acquire a domicile of choice. This would require positive action, such as settling in another country and making a will under the laws of that country. If the domicile of choice is abandoned, the domicile of origin will revive.

**Deemed domicile:**A deemed domicile is primarily an inheritance tax concept, when a non-UK domiciled person has been resident in the UK for 17 out of the last 20 years. They are then treated as UK domiciled for inheritance tax purposes. They will also be potentially liable for the £90,000 remittance charge.

# FURTHER CONSIDERATION

This is a guide for ACCA members to determine the tax status of an individual, appropriate advice must be obtained. This document has no regulatory status and provides and overview of the changes.

However, in order to further assist you in determining the tax status of an individual, please use the decision tree on the following page.

**ACCA LEGAL NOTICE**

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