

26/09/2017

Concerned market: UK



## European Nationals living in the UK – seeking clarity as the mist rolls away.

It has been an uncertain time for European Nationals living in the UK; they entered the country freely (no need for investment visas, work permits, or the such like), they felt welcomed by an economy in need of their skills and expertise, the fiscal regime was known and offered attractions no matter how long they stayed.

Nothing stays the same forever; the Brexit referendum result and the ongoing evolution of the UK RND regime have rolled over the hillside and shrouded their long-term view in mist. Yet, as the summer passes away and we enter the business phase of the year a clearer view starts to appear.

### UK Residence

On the 22nd September in Florence, Theresa May delivered a major speech towards describing how the UK Government envisages the reality of Brexit. After a full day Cabinet Session, during which we must assume that some consensus view across the divided government was reached, she announced the intention to negotiate upon a 2 year (ish) transitional period. Quite how the EU will formally respond is not known but she has been praised in many quarters for the tone of the message. The 'cliff edge' exit without a deal looks less likely. RNDs can now see the UK Governments willingness for the free movement of people to continue beyond March 2019..

Whether or not existing RNDs already meet the criteria needed to be guaranteed their indefinite 'leave to remain', it looks as if the time horizon for them to consider their position is extending.

### UK RND regime

On the 8th September the Government delivered the draft of Finance (No.2) Bill 2017. You will remember that in March Finance (No.1) Bill 2017 described the new regime for RNDs. At that time we expected its main provisions to be effective from 6th April 2017, albeit the legislation (The Finance Act) would be passed before the Parliamentary summer recess. Our expectations were scuppered when Theresa May upset the normal Parliamentary process by announcing a 'snap election'.

To rectify matters those items dropped from Bill No.1 now form part of Bill No.2. After its second reading in the Commons on the 12th September it now rests at the committee stage. We can expect the legislation very soon.

So what must European Wealth Planners and Portfolio Managers consider from the new regime

- It has been effective from 6th April 2017, therefore
  - portfolios exposed are impacted now.
  - any planning prior to the first Bill was not in vain
  - Self-Assessment tax returns due before 1st February 2019 must report relevant data
- Deemed-domicile status is acquired after 15 years (of the previous 20) UK residence
- The status of being 'deemed-domicile' encompasses all UK Taxes, therefore
  - the Remittance Basis of taxation unavailable
  - the global estate is subject to assessment under Inheritance Tax rules
- Those who became deemed-domicile, under the new definition, on 6th April 2017 may re-base eligible assets to values that day
- All RNDs having previously claimed the remittance basis may re-segregate eligible 'mixed funds' during the current and following tax year i.e. before 6th April 2019.

*NB The Government has also released (13th September 2017) draft legislation for Finance Bill 2017-2018 which includes anti-avoidance (tax) provisions affecting payments and benefits from non-UK trusts. The new provisions are intended to apply from 6th April 2018. Those RNDs connected to such settlements will be seeking specialist advice upon their continued operation and the protection of benefits these existing arrangements can enjoy.*

### What might clients, in conjunction with their advisers, do from here?

For those that had already implemented restructures ahead of the Finance (No.1) Bill there is comfort that their exertions were not in vain.

Whether clients feel that Brexit or the new RND fiscal regime will push them to reconsider UK residence will be a very personal matter; emotions and life commitments often override tax and estate planning considerations.



Whatever the conclusions, clients must consider their future fiscal status in the UK, or preparations for life elsewhere. In that regard life assurance, as a wealth structuring tool, has many strengths

- As a tax shield for portfolios no longer protected by the remittance basis
- As a tax shield in a new place of residence (life assurance being recognised in almost all European states)

- As a mechanism through which capital can be accessed without tax or the administrative burden of inclusion within the UK self-assessment reporting regime
- As a mechanism to pass value to the next generation (either as gifts or via the appointment of beneficiaries)

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