Non-dom reforms: latest developments

Personal tax

01 December 2017

The non-dom reforms are substantively enacted in Finance (No 2) Act 2017 (which received Royal Assent at the end of November) and take effect from 6 April 2017 but with more anti-avoidance provisions to come in the Winter Finance Bill, the CIOT continues to engage on the changes.

Finance (No 2) Act 2017

The CIOT made a formal submission to the Public Bill Committee during the passage of what was the Finance Bill 2017–19 through Parliament highlighting key points of concern that have also been made in earlier correspondence or submissions to HMRC. These were:

- the counter-intuitive consequence of the new deemed domicile rule that from 2017/18 onwards a taxpayer will need to leave the UK in the 14th year of residence rather than the 15th year to avoid becoming deemed domiciled in year 16 (despite being non-resident);
- deficiencies in the new benefits charge for offshore trusts;
- a number of problems with mixed fund cleansing and at least two key problems that require drafting amendments.

Our submission can be found on the CIOT website.

One of these concerns regarding the cleansing of mixed funds was corrected at Report Stage – see Amendment 17 to clause 29 schedule 8.

Winter Finance Bill: anti-avoidance provisions offshore trusts

The consultative clauses that the government published in September 2017 included a clause and schedule which would introduce anti-avoidance provisions in relation to payments and benefits made from offshore trusts. Subject to possible changes, the draft provisions will be included in the Winter Finance Bill and will, if passed, take effect from 6 April 2018. The CIOT raised its concerns on the draft provisions in a consultation meeting on 16 October and subsequently in a written submission.