CIOT/IFS non-doms debate

Briefings



24 January 2024

Panellists at a debate on the taxation of non-doms agreed that the current regime needs reform, and said that ideally any new system will command political consensus.

More than 800 people registered to watch the online event hosted by CIOT and the Institute for Fiscal Studies on 29 November, chaired by Helen Miller, IFS Deputy Director, and featuring speakers:

- Emma Chamberlain, barrister at Pump Court Tax Chambers and joint chair of CIOT's Private Client (International) Committee;
- Nimesh Shah, CEO of accounting firm Blick Rothenberg;
- Arun Advani, associate professor at the University of Warwick; and
- Jane Page, a tax adviser at Kirk Rice accountants and former Treasury adviser.

Emma spoke first, setting out how the system currently works. Nimesh outlined the impact of some recent reforms. Arun explored the numbers behind non-doms, saying that while they are fairly small in number, they are often highly paid. They

frequently work in finance and professional services, while more than 10% are pensioners.

There was agreement among the panel that many elements of the regime are out of date. A particular bugbear was how the current system can act to discourage investment. However, there was agreement that change is difficult because it requires predictions of how people will react and must also take into account non-tax reasons for people moving in and out of the country.

Exploring alternatives to the current system, Emma said that other ‘connecting factors’, such as residence and citizenship, would need to be considered to decide who pays tax in the UK if the idea of ‘domicile’ is scrapped. She noted that Canada rebases all assets at market value when someone enters the country, and then implements an exit charge when they leave. Other ideas include phasing in taxes over a number of years or time-limited exemptions of five or 10 years.

Jane thought it would be possible to improve the system for the ‘vast majority’ and raise money, but she would recommend removing any reference to ‘domicile’ and not taxing people on remittances. ‘It’s just a historical accident that we do things that way, it’s not how you’d design a tax policy today,’ she said. She said particular consideration should be given to whether reforms might lead to ‘decision makers’ leaving the UK, or people not coming here who otherwise would have.

Nimesh said that the fast rate of ‘small but regular’ change in recent years has not been helpful, as it diminishes certainty. We need a regime which encourages investment and the right wealth (i.e. not dirty money) to come to the UK, he said.

The panel agreed that political consensus is vital. ‘It would be good if all the parties could agree on what they want to do and who they want to encourage to come here,’ said Emma.

Labour propose to scrap non-dom tax status if they win the forthcoming general election. The panel disagreed on how they should go about this. Emma suggested it would need to be done ‘fairly quickly’. However, Nimesh disagreed, saying it is ‘such a massive opportunity’ for the UK to reset its regime that it is not worth rushing it. Arun hoped that Labour were ‘doing some groundwork’ now ahead of the election.

Watch the debate at: tinyurl.com/ynbauju4