Autumn Statement 2016

UK non-dom tax changes

Alex Picot Trust

Autumn Statement in review

In his first Autumn Statement, the UK's Chancellor of the Exchequer confirmed that the tax changes for non-domiciled individuals will proceed as planned from April 2017.

The draft legislation will be published early December 2016 clarifying the exact changes and offering detailed guidance.

Here we look at the highlights affecting offshore structures and offer some insight into the other tax related points of note.

Highlights for offshore structures

• UK taxpayers with offshore interests have a statutory obligation to correct any tax irregularities or face very high tax geared penalties. An additional penalty based on the value of their offshore interests and being "named and shamed" is being introduced.

• The government is considering bringing all non-resident companies receiving taxable income from the UK into the corporation tax regime. At Budget 2017, the government will consult on the case and options for implementing this change.

• The government will consult on a new legal requirement for intermediaries arranging complex structures for clients holding money offshore to notify HMRC of the structures and the related client lists. HMRC do not consider a standard trust and company arrangement to be a complex structure.

• Whilst there were no further significant announcements in respect of the proposed changes to the taxation of UK Resident Non-Domicile clients, there was re-confirmation that those changes will take effect from 6 April 2017. There is still uncertainty over how the changes will impact the beneficiaries and settlors of trusts: the final form of the legislation is expected very shortly.

• Inheritance Tax reforms are also going ahead. IHT will be charged on UK residential property when it is held indirectly by a non-domiciled individual through an offshore structure, such as a company or a trust. The new rules were announced previously.

Other points of note

Income tax

• Income tax thresholds are to be raised to £11,500 from £11,000 in April 2017
• Higher rate income tax threshold are being increased to £50,000 by the end of the Parliament, meaning more UK taxpayers will fall into the basic rate band.
• Tax savings on salary sacrifice and benefits in kind are to be stopped, with exceptions for ultra-low emission cars, pensions, childcare and cycling.

National Insurance

• As announced at Budget 2016, Class 2 NICs will be abolished from April 2018, simplifying National Insurance for the self-employed. Following the abolition of Class 2 NICs, self-employed contributory benefit entitlement will be accessed through Class 3 and Class 4 NICs.
• From April 2018 termination payments over £30,000, which are subject to income tax, will also be subject to employer NICs.

Corporation tax

• It was re-confirmed that UK corporation tax will be reduced to 17% by 2020.
• The amount of carried forward losses will be restricted to 50% from April 2017. There will however be greater flexibility over the types of profit that can be relieved by losses incurred after that date.

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• There was a promise to abolish the Autumn Statement, replacing it with an Autumn Budget from next year. The Spring Budget will become a "Spring Statement" from 2018.

Next steps

Take action now

The next few months present the opportunity for clients to look at their assets and tax status to plan before it is too late.

Our expert team at Alex Picot Trust Company Ltd are ready to help clients understand the new rules, assess the impact, and prepare and implement a planning strategy ahead of April 2017.

Contact our Tax Consultant

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