The impact of **Brexit** for **non UK domiciliaries**

London has been a centre for global trade since the Romans built the first bridge across the Thames in the first century AD. In the twenty first century it is a hub for international banks, financial and professional service firms, as well as being an appealing base for the globally wealthy, whether formally tax-resident in the UK or not.

In the post-Brexit vote environment, the UK needs to ensure that it can continue to attract these industries and individuals and the capital that they have historically invested. Below we consider the principal ways in which Brexit is most likely to impact on non-domiciled individuals, or 'non-doms', who are important tax and investment contributors living or doing business in the UK.

Taxation

There has been much fevered commentary on how the UK may be forced to increase tax rates as the economy is affected by the Brexit vote, but the way in which this may be done remains to be seen. One concrete point that can be made at this stage is that the EU tends to leave national governments to decide their own tax rules, so Brexit itself is unlikely to force any major immediate tax policy changes in the UK as a consequence.

However, the UK Government is proceeding to push through a number of tax measures due to be introduced in April 2017 and likely to affect non-residents investing in the UK and UK resident non-doms. Two major outcomes relevant to non-doms are expected under the forthcoming changes. Primarily, non-dom in-

> "Deemed-UK domiciled is the same as a UK domiciliary paying tax."

dividuals who have been resident in the UK for more than 15 out of 20 tax years would be fully taxed as UK domiciliaries. Secondly, individuals born in the UK with a UK domicile of origin will no longer be able to claim non-dom status while they are resident in the UK, even if they have acquired a domicile of choice elsewhere.

Further expected changes will mean that pre-existing non-UK trusts will be taxed more punitively after April 2017. Care will need to be taken to ensure that such trusts do not lose their 'protected' status as a result of additions or distributions being made. The inheritance tax rules will also be redefined to capture UK residential property owned through non-UK structures.

On the plus side, a new 'mixed funds' concession will allow non-doms a one-year window, until April 2018, to separate out offshore accounts into capital, income and gains, so that they can continue to benefit from the remittance basis of taxation for foreign income and gains which have already arisen., Fortunate non-doms who become deemed domiciled on 6 April 2017 will also have the benefit of rebasing the cost of certain assets to their value as at April 2017.

This series of changes will mean that many non-doms need to assess their planning and potentially make changes to how and where their assets are held. Any who are approaching the 15-year cut-off point will most definitely need to consider their position before April.

Immigration

Freedom of movement within the UK and EU remains the same until Brexit officially takes place, and further border controls will not be imposed until this time.

Transitional provisions are expected to be introduced for nationals within the European Economic Area and their family members already in the UK who have not yet been here long enough to have acquired the right of permanent residence. These transitional provisions will be for two years after the UK gives formal notice to the EU, or longer by mutual agreement, allowing non-doms some time to plan for the future. It is therefore advisable to allow plenty of time for a decision on domicile and an application for residency, if this is the desired outcome.

Real estate

Property prices have fallen since the referendum, especially amongst high value property in London. There is therefore the potential for a repeat of the market situation in 2009, when cash rich foreign investors took advantage of a fall in sterling to make bargain acquisitions. If Brexit forces interest rates up and inflation also rises, property will become even more attractive as a safe haven investment, providing greater opportunities for non-doms investing or living in the UK.

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