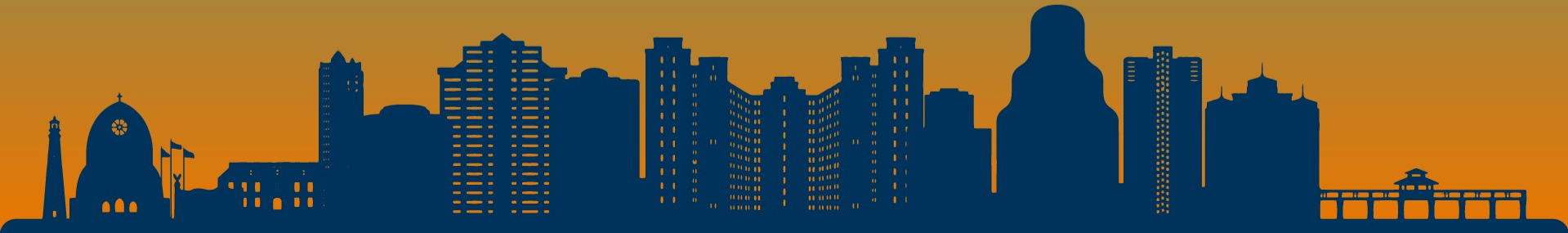


TOBY RYLAND
18 APRIL 2024



REIMAGINE NOW

LEA GLOBAL EUROPEAN REGIONAL CONFERENCE



UK UPDATE

- TOBY RYLAND
- Corporate Tax Partner
- HW FISHER LLP, London, UK
- Email: tryland@hwfisher.co.uk
- Tel: 0044 (0)207 874 7959

BUDGET 2024

KEY ASPECTS

- Phasing out of Non-Dom Rules
- Cuts to National Insurance
- Continuation and extension of Full Expensing
- No cut to corporation tax rates

Non-Dom Rules

KEY ASPECTS

- The UK has two concepts – residence and domicile
- Residence is where an individual physically resides
- Domicile is where an individual “belongs”
- For example, a French born individual who moves to the UK for five years would be tax resident in the UK but would be French domiciled
- The concept of domicile has offered significant tax planning opportunities

Non-Dom Rules

KEY ASPECTS

- A non-domiciled individual can elect to use the Non-Dom basis of taxation
- They are fully taxable on UK income and gains
- They are not subject to UK tax on non-UK income and gains provided that the funds are not remitted (brought into) the UK
- This has been very attractive to wealthy individuals who have extensive non-UK businesses or wealth

Non-Dom Rules

KEY ASPECTS

- If an individual claims non-dom status, they can do so without any tax cost for the first seven years in which they are UK resident
- After 7 years, they must pay £30,000 per annum to continue to benefit from the regime
- After 12 years, this increases to £60,000 per annum
- However, if their overseas income or gains is substantial (more than £75,000 or £150,000 respectively), they will still be better off by claiming non-dom status

Non-Dom Rules

WHAT IS CHANGING

- A new regime is being introduced with effect from April 2025 with the non-dom regime being phased out.
- The new regime will be a residence based one and individuals will need to opt into the regime.
- Individuals will not be subject to UK tax on any foreign income or gains in their first four years of being UK tax resident, provided they have been non-UK tax resident for the last ten years.
- Anyone who has been UK tax resident for more than four years will be subject to UK tax on their worldwide income and gains.

Non-Dom Rules

WHAT IS CHANGING

- There will also be some transitional arrangements for existing non-doms.
- They have the option to rebase the value of capital assets to 5 April 2019
- A temporary 50% exemption for the taxation of foreign income for the first year of the new regime
- A two year temporary repatriation facility to bring previously accrued foreign income and gains into the UK at a tax rate of 12%

Non-Dom Rules

ONE POINT TO WATCH

- Inheritance tax is currently a domicile based system.
- The Government has announced that IHT will move to a residence based system.
- No changes will be introduced before April 2025 and a consultation process is being established to help determine the new rules

CUTS TO NATIONAL INSURANCE

- National Insurance (“NI”) is the UK social security system.
- Employees and the self-employed pay NI
- Employers also pay NI
- The Budget cut the rate of NI for employees and the self-employed but did not reduce the rate for employers
- The employee rate reduced from 12% to 10% from 6 January 2024 and then reduced to 8% from 6 April 2024
- The self-employed rate reduced from 9% to 6% from 6 April 2024

FULL EXPENSING RULES

- These rules were introduced in April 2023.
- A full deduction can be claimed for expenditure on new (not used) capital items (plant and machinery but no cars) so tax depreciation on most capital items is now irrelevant
- The rules are being extended to cover leased assets
- The rules were originally meant to apply to expenditure incurred between 1 April 2023 and 31 March 2026. However, the rules have now been introduced permanently.
- The rules are a significant simplification of the UK tax system and are a real cashflow benefit
- But watch the deferred tax liability in the financial statements!

CORPORATION TAX RATE

- The one disappointing aspect of the Budget was that there was no change to the UK corporation tax rate
- The main rate is now 25% (up from 19% from 1 April 2023)
- There is a small companies rate of 19% but only on profits up to £50,000 so has very limited application
- The decision not to reverse the increase to 25% feels like an opportunity lost

ANY QUESTIONS?

