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Post-Budget Impact Assessment webinar

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21st November 2024

Content of today's webinar

Part 1: October 2024 Budget: Key measures affecting private clients. Focus will be on the abolition of the remittance basis, the replacement regime and overhaul of IHT.

Part 2: Impact Assessment on Existing Structures and where to Re-Structure

1. Excluded Property Trusts (EPTs)
2. Qualifying Non-UK Pension Schemes (QNUPS)
3. Family Investment Companies (FICs)

Part 3: New Planning Ideas Using Trusts.

Part 4: Becoming non-resident: where to go next?

Questions and Answers

Part 1: Abolition of remittance basis and its replacement with the regime for QNRs

- The Chancellor confirmed in her Budget delivered on 30th October 2024 that the Labour government will abolish the Remittance Basis regime which will be replaced by a new regime for Qualifying New Residents (QNR), effective from 6th April 2025

- A QNR will be a UK resident individual but was non-UK resident for each one of the previous 10 UK fiscal years (regardless of their domicile). QNR status will be retained for their 2nd, 3rd and 4th tax years of UK residence.

- Under transitional measures, individuals that were once non-UK resident for at least 10 consecutive fiscal years and became UK resident between 6th April 2022 and 5 April 2025 are still eligible QNRs (for a shorter period). For example, an individual who was non-UK resident from 6th April 2012 to 5th April 2022 and has been UK resident for the 3 following tax years will only benefit from QNR status for the 2025/2026 tax year before QNR status expires.

- A QNR who has qualifying foreign income and/or qualifying overseas gains and who makes a claim(s) will benefit from full UK tax relief even if the income and/or gains are remitted to the UK

- Under the “Temporary Repatriation Facility” an individual previously claiming the Remittance Basis will be able to remit historic overseas income and gains to the UK. Facility available for the 2025-26 and 2026-27 tax years with a flat rate of 12% (rate increases to 15% for the 2027/2028 tax year being the final fiscal year for which the facility will be available).

UK Inheritance Tax overhaul; effective from 6/4/2025

- Domicile will be replaced by a new concept of long-term UK resident (LTR) from 6th April 2025.

- An individual will be an LTR if they were UK resident for 10 or more of the previous 20 tax years. For example, an individual who was UK resident from 6th April 2014 to 5th April 2025 would be an LTR from 6th April 2025.

- LTRs will be subject to UK IHT on worldwide assets. The standard exemptions continue to apply (such as spousal exemption and PET planning).

- LTRs and non-LTRs subject to IHT on UK assets.

- The general rule is that a long-term UK resident will retain this status until they have been non-UK resident for 10 consecutive tax years (they will no longer be a long-term UK resident from the start of the 11th tax year). But an important transitional rule applies for individuals who are non-UK domiciled and will be LTRs from 6th April 2025 (and who become non-UK resident from that date).

Other Measures

1. UK Registered Pensions, QROPS and QNUPS – proposed removal of exemption from IHT

The Government is proposing a radical measure which would mean that the fund remaining in any of these pensions would be subject to UK IHT. The proposal is subject to a consultation and the change in law will not take effect until 6^{th} April 2027.

2. Pensions: QROPS – Overseas Transfer Charge: Removal of the EEA Exemption from 30^{th} October 2024

New Transfers to QROPS will now be far fewer.

3. Business Property Relief (BPR) relief to be restricted

From 6^{th} April 2026 the Government will cap the 100% relief at a GBP1m allowance per individual. If the BPR asset(s) value exceeds GBP1M then the excess will only attract 50% relief (so will be exposed to 20% IHT on the taxpayer's death).

For clients holding AIM listed shares (which currently potentially benefit from 100% relief from IHT), relief will be reduced to 50% from 6^{th} April 2026 (with no GBP1m allowance for these AIM assets). So all AIM shares taxed at 20% on death.

4. Agricultural Property Relief to be restricted

APR also will be subject to the new GBP1m allowance. If property attracting APR is worth more than GBP1m, the excess will only benefit from 50% APR (so effective tax on death of 20% on excess).

Harsh: the proposed GBP1M allowance is shared between the 2 reliefs. So if the taxpayer holds an APR asset worth GBP1M and BPR asset worth GBP1M, both assets will have GBP500,000 exposed to 20% IHT on death.

Part 2: Impact Assessment: Excluded Property Trusts (EPTs)

EPT Type 1: EPT established and funded before 30th October 2024

- EPT = non-UK domiciled settlor settling foreign assets into trust.
- Assets wrapped within these EPTs will remain outside of UK IHT even if the settlor becomes a long-term UK resident. But the EPT will be within the relevant property regime from when settlor becomes an LTR.
- Income and gains accruing directly to the EPT will be taxed on a UK resident settlor as they arise unless the settlor is a QNR.
- But tax deferral may still be possible where assets held in an overseas company below the EPT.

EPT Type 2: EPT established and funded from 30th October 2024 but before 6 April 2025.

- EPT = non-UK domiciled settlor settling foreign assets into trust.
- Assets wrapped within these EPTs will be subject to IHT if settlor is an LTR (unless settlor exclusion planning is put in place). EPT also within the relevant property regime from when settlor becomes an LTR.
- Income and gains accruing at any level of the EPT likely to be taxed on a UK resident settlor as they arise unless the settlor is a QNR.

EPT Type 3: EPT established from 6th April 2025.

- Settlor must not be a long-term UK resident to establish an EPT. Their domicile will be irrelevant. Only overseas assets can be settled into and held by the EPT.
- Assets wrapped within these EPTs will be subject to IHT if settlor becomes an LTR (unless planning is put in place). EPT also within the relevant property regime from when settlor becomes an LTR.
- Income and gains accruing at any level of the EPT likely to be taxed on UK resident settlor as they arise unless the settlor is a QNR.

Impact Assessment:
Qualifying Non-UK Pension Schemes (QNUPS)

- QNUPS were not immediately impacted by the Budget.
- But Consultation set up to review IHT benefits of registered pension schemes and QNUPS. Government proposing to remove IHT exemption from 6th April 2027.

QNUPS: SUMMARY OF UK TAX TREATMENT

- QNUPS remain a tax efficient pension for now. Note that they still benefit from the exemption from CGT on all types of gains from UK property (assuming the gain realised at the QNUPS level directly).
- Reasonable contributions to QNUPS should not be subject to the IHT entry charge.
- Income and gains potentially benefit from gross roll up within the QNUPS.
- QNUPS exempt from 10 yearly charge and exit charge.
- Tax free lump sum of up to a maximum of £268,275 still potentially available. Other benefits taxed as income if the member is UK resident.
- QNUPS fund exempt from IHT on death (for the time being).

Current structures: Planning

Pre-30th October 2024 EPTs

Where all assets are wrapped within an overseas company then it should in principle continue to benefit from IT and CGT deferral from 6th April 2025 even if the settlor is a UK resident and not a QNR. These structures should generally remain in place.

If the assets are held directly by the EPT then income and gains will be taxed on settlor unless a QNR. Consider excluding settlor and spouse and investing through a collective arrangement (such as a life insurance policy, overseas non-reporting fund or PCC).

If the settlor or any beneficiary will be a QNR from April 2025 then defer receiving benefits until then.

Family Investment Companies (FICs)

The Budget has not impacted FICs in a negative way. The positive news is that for individuals who will be QNRs from April 2025 with overseas FICs, consider deferring receiving any income or realising gains until after 5th April 2025 (as the income and gains can then be remitted to the UK without tax charge).

QNUPS

If the member will be a QNR from April 2025 defer withdrawing income until then as should be exempt from IT.

All QNUPS members should watch the new IHT Consultation and keep planning options open. Best planning will likely be to become non-UK resident and withdraw from the pension once non-resident (if the IHT exemption is removed).

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Part 3: Case Study 1, Richard

- Richard is UK domiciled. He has lived in Australia since 2010 and has been non-UK resident continuously since 6 April 2010.

- Richard, his wife and children will return to the UK for their children’s education from July 2025. They will all be UK tax resident for the 2025/2026 tax year and will remain so for several years (possibly more than 10 years depending on how things work out).

- Richard has an investment portfolio of GBP4M and will likely enter into short-term consultancy contracts (to be performed overseas) when he is UK resident (for the first 2-3 years).

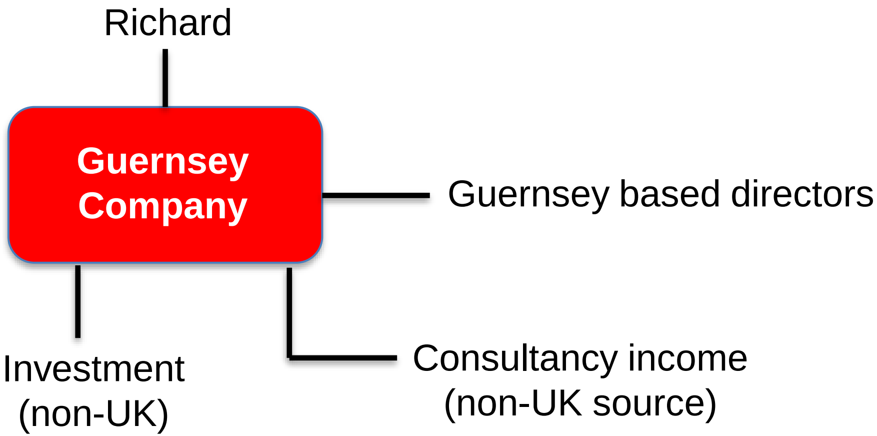
- Richard sets up a Guernsey company into which his investment portfolio is transferred and for which Richard acts as a consultant. Contracts are signed in Guernsey and all work performed by Richard outside the UK.

- Richard keeps the Guernsey company in place until the December 2028 when he re-structures.

- While Guernsey company is in place the income and gains accruing to the company are not taxed on the company or on Richard (the transfer of assets abroad legislation is switched off by the QNR exemption).

- Dividends paid to Richard will be tax exempt while he is a QNR and can be remitted freely to the UK.

Case Study 1 continued, Richard



NB: Company managed and controlled from Guernsey (so Guernsey resident). Full economic substance in Guernsey.
Income accruing to Guernsey company all non-UK sourced.

Tax Treatment until 5th April 2029
Guernsey company taxed at 0% on income and gains not taxed.
Richard not taxed on company's income or gains.
Dividends paid and remitted to UK not taxed in UK.

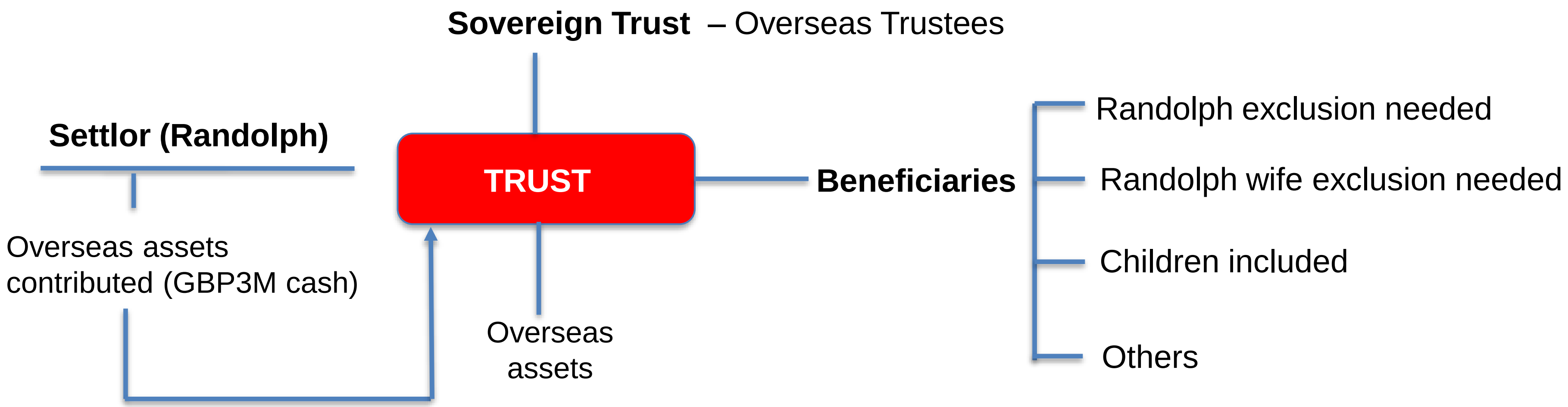
Richard: Potential Re-structuring before 6th April 2029

- Richard will look to re-structure the Guernsey company into an FIC before 6th April 2029.
- The company will likely be divided into A shares (carrying voting rights) and B shares (carrying rights to income and capital).
- Richard will retain the majority of the A shares and will likely settle majority of the B shares and some of the A shares into trust from which he will be excluded.
- As the shares will be located in the Guernsey when settled the transfers into trust should not attract an IHT entry charge (as the shares will be excluded property).
- Richard and his wife are appointed as directors of the Guernsey co (so it will become a UK resident company) from 6th April 2029. Company would then be subject to UK CT. But Richard still not taxed on company's undistributed profit.
- Likely choice of trust will be an interest in possession trust for children who will all be at least 18 from 6th April 2029. Trust would be subject to the 10 yearly charge but no IHT. 10 year charge can be mitigated with careful planning.

Case Study 2, Randolph

- Randolph has been UK resident continuously since 6th April 2011 (so the 2024/2025 tax year is Randolph's 14 tax year of UK residence).
- He is non-UK domiciled under general law (retaining his foreign domicile of origin).
- He is aware that his overseas assets will become subject to IHT from 6th April 2025 (when he will become an LTR) and wants to put in place a trust immediately to ensure that the settled assets are removed from his chargeable estate for IHT purposes.
- The beneficiaries of the trust, which he settles in January 2025, are his 3 children 2 of whom are UK resident.

Case Study 2 continued, Randolph

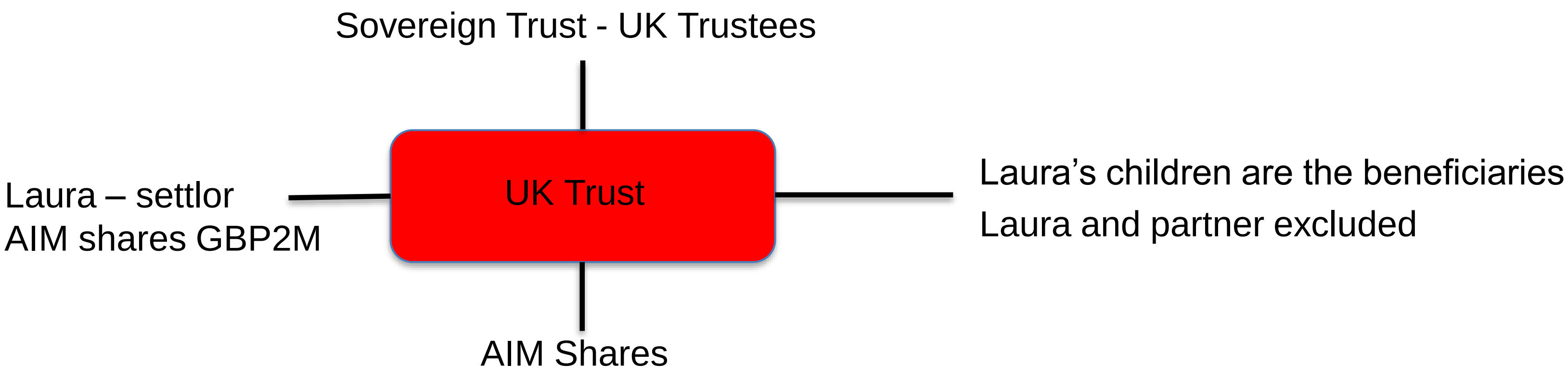


- Trust assets should remain outside of UK IHT even though Randolph will become an LTR from 6th April 2025.
- Income tax deferral on trust income should be provided.
- Care needed with planning for gains (watch TCGA 1992 s86). Consider use of insurance wrapper arrangements or PCCs (great care needed with both).
- 10 yearly charge will apply in 2035

Case Study 3, Laura, AIM Share Planning

- Laura, 60, is UK resident and UK domiciled.
- She has three adult children.
- She previously invested in AIM shares for IHT planning reasons but now learns the planning will become less efficient from 6th April 2026.
- She wants to lock in the IHT relief now.
- She has other assets within her estate and does not need the income or capital from the AIM portfolio.

Case Study 3 continued, Laura
Planning and structure to be deployed for Laura and family



- The settlement of the AIM shares should not attract any IHT charge as they are currently 100% exempt from IHT.
- Although the shares have net gains, CGT holdover relief available. Gain therefore deferred. Joint claim needed by Laura and trustee.
- No IHT on Laura's death. Contrast if she retained the shares (20% IHT on death with no GBP1M allowance).
- UK trust subject to UK IT and CGT on future gains (including held-over gain).
- 10 yearly charges.

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Case Study 4, Carol and Mike

- Carol and Mike have been non-UK resident continuously since 2012 but are still UK domiciled.

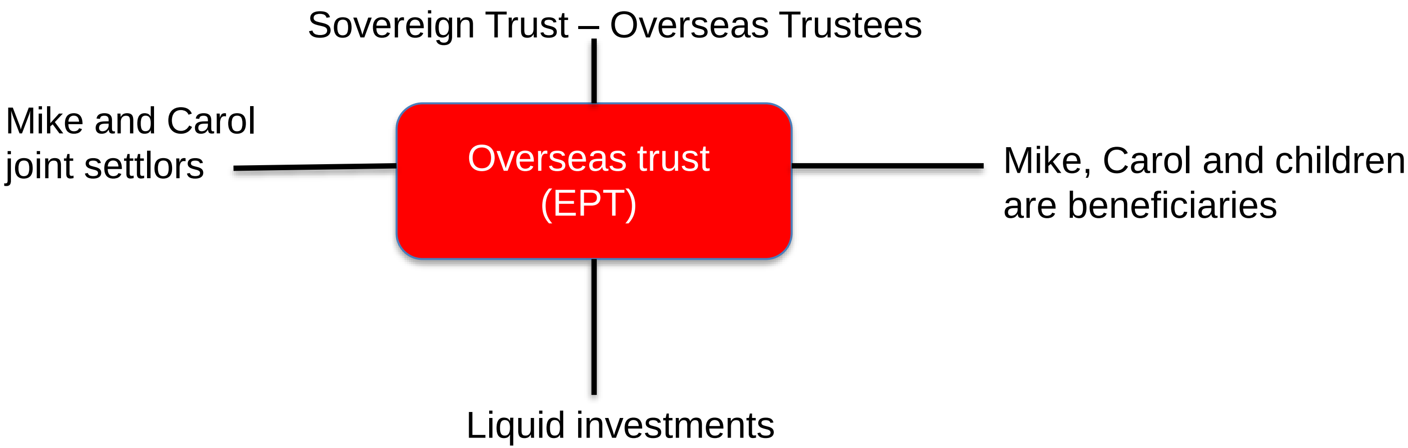
- They previously resided in HK and are now resident in Malaysia.

- Their 2 children are at boarding school in the UK and will shortly start university in the UK. The children have both now been UK resident for more than 5 years.

- Carol and Mike plan to retire in Thailand and visit their children in the UK regularly. Carol and Mike have been advised that once both children are at least 18 the parents can each spend up to 120 days a year in the UK and not be UK tax resident. They will stay in their UK home during return visits.

- The parents want to put in place some succession planning by jointly settling GBP8M of liquid investments into a trust (which from 6th April 2025 will be an EPT.)

Case Study 4 continued, Carol and Mike EPT (settled post 5th April 2025)



- No 20% lifetime entry charge
- Income and gains accruing to EPT not taxed in the UK
- No 10 yearly charge
- No IHT
- UK residents taxed on benefits

Part 4 : Becoming non-UK resident: where to go next?
Popular nations that British taxpayers tend to move to and reside in
The Residency Grid (EU)

No.	NATION	TAX REGIME	FINANCIAL CENTRE STATUS	RESIDENCY PERIOD P.A	TAX IMPLICATIONS	REQUIREMENTS
1	CYPRUS	NON-DOM	ONSHORE EU	60 DAY PROGRAM (60) AND NOT RESIDING ELSEWHERE FOR MORE THAN 6 MONTHS PA PERMANENT RESIDENCY PROGRAM	LOCAL EARNED ACTIVE INCOME AND OVERSEAS INCOME REMITTED WILL BE TAXABLE	(60), FORM CO, BE EMPLOYED, MODEST SALARY, PROPERTY RENTAL OR PURCHASE EU NATIONALS HAVE RIGHT TO LIVE AND WORK BUT MUST STILL REGISTER. IF NOT EMPLOYED THEY MUST DEMONSTRATE THEIR FINANCIAL INDEPENDENCE. EMPLOYEES WILL NEED EMPLOYER CERTIFICATE. PROOF OF STATUS NEEDED FOR SELF EMPLOYED. RETIREES NEED PRIVATE HEALTH INSURANCE AND TO DEMONSTRATE FINANCIAL INDEPENDENCE EURO 300K PROPERTY PURCHASE & EURO 50K SECURED ANNUAL INCOME
2	GREECE	NON-DOM	ONSHORE EU	6 MONTHS	EURO 100,000 FIXED TAX P.A. 7% LOCAL TAX ON GLOBAL INCOME FOR PENSIONERS OF 55 YEARS OLD AND ABOVE GOLDEN VISA OPPORTUNITY – MIN PROPERTY INVESTMENT SUBJECT TO FUTURE INCREASE FOR FIP AND DIGITAL NOMADS, NO GREEK INCOME TAX WILL APPLY	PROPERTY PURCHASE OF AT LEAST EURO 500,000 FOR THE NON-DOM REGIME. FOR 7% REGIME, PROPERTY RENTAL OR PURCHASE FOR EU NATIONALS, SAME RIGHTS AND REQUIREMENTS AS DISCLOSED FOR CYPRUS FINANCIALLY INDEPENDENT PERSONS VISA – RELEVANT TO NON-EU NATIONALS DIGITAL NOMADS RESIDENCE PERMIT – RELEVANT TO REMOTE WORKERS ALL PROGRAMS OFFER A SCHENGEN VISA WITH NO REQUIREMENT TO PURCHASE PROPERTY UNLESS THE NON-DOM PROGRAM IS REQUIRED
3	ITALY	NON-DOM	ONSHORE EU	6 MONTHS	EURO 200,000 FIXED TAX P.A. 7% LOCAL TAX ON GLOBAL INCOME FOR PENSIONERS 55 YEARS OLD AND ABOVE	PROPERTY RENTAL OR PURCHASE FOR 7% REGIME, PROPERTY RENTAL OR PURCHASE IN QUALIFYING REGION AND TOWN OF LESS THAN 20,000 PERSONS FOR EU NATIONALS, SAME RIGHTS AND REQUIREMENTS AS DISCLOSED FOR CYPRUS
4	MALTA	NON-DOM	ONSHORE EU	NONE SPECIFIC	MALTESE GLOBAL RESIDENCY PERMIT PROGRAM (MGRP) EURO 15,000 P.A IN TAXATION AND REMITTED OVERSEAS INCOME WILL BE TAXED MALTA PERMANENT RESIDENCY PROGRAM (MPRP) GOVT CONTRIBUTIONS OF EURO 58K (RENTAL) OR EURO 28K (PURCHASE) + EURO 40K ADMIN FEES AND CHARITY DONATION OF EURO 2K	FOR MGRP, PROPERTY PURCHASE OF EURO 275K OR RENTAL OF CIRCA EURO 10,000 P.A. FOR EU NATIONALS, SAME RIGHTS AND REQUIREMENTS AS DISCLOSED FOR CYPRUS FOR MPRP, RENTAL OR PURCHASE OF PROPERTY, GOVT CONTRIBUTION, ADMIN FEES AND CHARITY DONATIONS

Popular nations that British and other Europeans tend to move to and reside in – The Residency Grid - (EU)

No.	NATION	TAX REGIME	FINANCIAL CENTRE STATUS	RESIDENCY PERIOD P.A	TAX IMPLICATIONS	REQUIREMENTS
5	PORTUGAL	ONSHORE	ONSHORE EU	6 MONTHS ESPECIALLY FOR RESIDENCY	PORTUGUESE REGULAR AND HIGHER RATES OF PERSONAL TAXATION WILL APPLY TO OFFICIAL RESIDENTS NHR REGIME NO LONGER APPLIES AS THIS WAS CURTAILED IN 2023	GOLDEN VISA APPLICANTS TO EITHER DONATE EURO 250K OR TO MAKE A QUALIFYING INVESTMENT (NON-REAL ESTATE) OF EURO 500K D7 VISA ALLOWS FOR PERMANENT RESIDENCY. CIRCA EURO 10K OF PASSIVE EARNINGS REQUIRED P/A FOR EU NATIONALS, SAME RIGHTS AND REQUIREMENTS AS DISCLOSED FOR CYPRUS
6	IRELAND (REPUBLIC OF)	NON-DOM	ONSHORE EU	N/A BUT 3 MONTHS ADVISED	LOCAL EARNINGS,OVERSEAS REMITTED INCOME AND GAINS WILL SUFFER LOCAL TAX BUT THERE IS NO TIME LIMIT IN THE NON-DOM STATUS	PROPERTY RENTAL OR PURCHASE FOR EU NATIONALS, SAME RIGHTS AND REQUIREMENTS AS DISCLOSED FOR CYPRUS
7	SPAIN	ONSHORE	ONSHORE EU	BECKHAM RESIDENCY LAW ONLY APPLIES FOR THE FIRST 6 FISCAL YEARS	GOLDEN VISA BECKHAM RESIDENCY LAW – “SPECIAL EXPATS TAX REGIME” APPLICABLE TO EXPATRIATES PERSONAL TAX ONLY ON INCOME EARNED IN SPAIN WITH A FIXED RATE OF 24% FOR INCOME UP TO EURO 600,000	FOR GOLDEN VISA, A PROPERTY PURCHASE OF EURO 500K, BANK DEPOSIT OF EURO 1M OR GOVERNMENT BOND INVESTMENT OF EURO 2M FOR EU NATIONALS, SAME RIGHTS AND REQUIREMENTS AS DISCLOSED FOR CYPRUS SPANISH COMPANY DEPLOYMENT WITH COMMERCIAL ACTIVITIES REF BECKHAM LAW

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The Residency Grid continued

No.	NATION	TAX REGIME	FINANCIAL CENTRE STATUS	RESIDENCY PERIOD P.A	TAX IMPLICATIONS	REQUIREMENTS
8	BAHAMAS	ZERO TAX	OFFSHORE	MINIMAL	NONE	1 VISIT TO BAHAMAS – RENTAL OF A MODEST DWELLING APPLICANTS WILL NEED TO DEMONSTRATE FINANCIAL INDEPENDENCE
9	BAHRAIN	ZERO TAX	NO TAX	NO MINIMUM	NONE	A BUSINESS ENTERPRISE PROGRAM TO FORM AND OWN LOCAL COMPANY WITH 100% OWNERSHIP
10	DUBAI - UAE	ZERO TAX BUT 9% FOR CORPORATES	NO PERSONAL INCOME TAX AND LOW TAX FOR CORPORATES	TWICE YEARLY VISIT TO SUSTAIN RESIDENCY VISA	NONE FOR INDIVIDUALS	A BUSINESS ENTERPRISE PROGRAM TO OWN FREE ZONE OR A LOCAL ONSHORE COMPANY OR GOLDEN VISA - REAL ESTATE PURCHASE OF AED 2M. THIS OFFERS PERMANENT RESIDENCY
11	GIBRALTAR	LOW TAX	OFFSHORE	NO MINIMUM	FIXED MIN TAX LIABILITY OF £37,000	APPLICANTS WILL NEED TO DEMONSTRATE FINANCIAL INDEPENDENCE PROPERTY RENTAL OR PURCHASE
12	HONG KONG	SOURCED BASED TAXATION	MID-SHORE	3 MONTHS PREFERRED	LOCALLY SOURCED BASED INCOME WILL BE TAXED AT A MAXIMUM OF 17%	A BUSINESS ENTERPRISE PROGRAM FORM LOCAL CO, BE EMPLOYED, PROPERTY RENTAL OR PURCHASE CAPITAL INVESTMENT ENTRANT SCHEME (CIES) – HK$30M WITH HK3M HELD IN CIES INVESTMENT PORTFOLIO

The Residency Grid continued

No.	NATION	TAX REGIME	FINANCIAL CENTRE STATUS	RESIDENCY PERIOD P.A	TAX IMPLICATIONS	REQUIREMENTS
13	MAURITIUS	LOW TAX	MIDSHORE	NO MINIMUM	RESIDENTS SUBJECT TO TAX AT 15% ON INCOME DERIVED OR ACCRUING IN MAURITIUS	INVESTOR CATEGORIES PROFESSIONAL - US$ 1.6K PER MONTH SELF EMPLOYED – US$ 16K P.A. OF INCOME RETIREMENT US$18K P.A IN RETIREMENT INCOME OR PROPERTY PURCHASE OF MIN $375K ASSURES PERMANENT RESIDENCE
14	MONACO	NO TAX	OFFSHORE	+6 MONTHS	NONE	PROPERTY RENTAL OR PURCHASE. NEED TO SHOW SUBSTANTIVE WEALTH IE; FINANCIAL INDEPENDENCE. EURO 500K MIN ON DEPOSIT IN LOCAL BANK ACCOUNT
15	PRINCIPALITY OF ANDORRA	LOW TAX	MID-SHORE	3 MONTHS	10% INCOME TAX, NO CGT, NO WEALTH TAX, NO EXCHANGE CONTROLS AND NO IHT	PASSIVE RESIDENCY REQUIRES A EURO 600,000 INVESTMENT USUALLY DIRECTED INTO REAL ESTATE OR GOVERNMENT BONDS, FOR THE LATTER, PROPERTY RENTAL, PRIVATE HEALTH INSURANCE AND MODEST CASH AT LOCAL BANK BALANCE REQUIRED
16	SINGAPORE	SOURCED BASE TAXATION	MID-SHORE	NONE SPECIFIC	LOCALLY SOURCED INCOME WILL BE TAXED AT 17%	A BUSINESS ENTERPRISE PROGRAM DIRECTOR AND EMPLOYED BY LOCAL OR NEW CO - PROPERTY RENTAL OF PURCHASE
17	SWITZERLAND	LUMP SUM REGIME	ONSHORE	+3 MONTHS ADVISED	TAX RULING OFFERED ON GLOBAL PERSONAL EXPENDITURE MULTIPLE SUBJECT TO MINIMAL ANNUAL SWISS TAX LIABILITY	APPLICANTS WILL NEED TO DEMONSTRATE FINANCIAL INDEPENDENCE PROPERTY RENTAL OR PURCHASE

Q&A

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