

# UK Residency & Domicile Rules - How Do They Apply To You?

By Jeff Millington



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# Residency and domicile in the UK

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# Residency

- Automatic ties to UK, be wary of second automatic tie.
- Sufficient ties test
  - Family tie
  - Accommodation tie
  - Work tie
  - 90 day tie
- Exceptional Circumstances – Covid 19

# Why ties matter and evidence of travel

- UK resident by accident – taxation implications
  - Domicile of origin outside the UK
  - Domicile of origin in the UK
- Keeping records of travel into and out of UK
- Reporting to the UK.

# Residency continued

- Keep account of days in UK. Keep records.
- Be aware of ties.
- Accommodation tie is wide reaching.
- How wide does a family tie go?

## Residency continued

- Coming to the UK to live – when to come.
- Split year treatment in year of arrival.
- Leaving the UK, days in the UK are less for leavers than arrivers.
- Split year treatment in year of departure.
- Losing domicile of choice – four year itch

# Domicile

- Domicile of origin
- Domicile of choice
- Maintaining your domicile of choice.
- Implications for Inheritance Tax (IHT) on domicile.



# Inheritance Tax – changes in respect of UK residential property

- Historic position
- Changes brought in, in 2017.
- Beware loans to buy property for UK residents.
- Limiting exposure to IHT
  - Life insurance policies
  - Gifting – but without reservation of benefit
  - Properties already in trust?

# Inheritance Tax - continued

- Tax rates and exposure to IHT. Practicalities of paying HMRC.
- Implications of gifting property.
- Non-resident capital gains tax regime.
- Re-valuation of property

# IHT – other UK assets

- Trading businesses in the UK.
- Farm ownership in the UK.
- Investing in stocks and shares in the UK.
- Commercial property
- The use of trusts

# Possible changes to IHT

- Property held in person or through a company
- Wealth tax? How would it be applied and to whom?
- Increase to IHT?
- Changes to IHT with regards to lifetime gifts etc.
- Lifetime gifts reduce to five years as a PET, abolish taper relief.

# Conclusions

- Residency in the UK is still complex.
- Be aware of changes to domicile for UK domiciled individuals.
- Property ownership has changed be wary of debt on property.
- Look at ways to mitigate IHT – difficult on residential property.

Q&A



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