Low Incomes Tax Reform Group
A voice for the unrepresented

Reforms to the taxation of non-domiciles
HM Treasury (HMT) consultation document
Response from the Low Incomes Tax Reform Group (LITRG)

1 Executive Summary

1.1 We welcome the opportunity to respond to the HMT consultation document on reforms to the taxation of non-domiciles. Our particular concern is the unrepresented low-income individual: we seek to ensure that it is as simple as possible for them to negotiate the tax system. A key objective must be certainty. This is best achieved through as simple a system as possible, particularly for those unable to afford professional representation.

1.2 If the changes proposed at the Summer Budget 2015 and in this consultation document are introduced, we think it is essential that the current £2,000 *de minimis* threshold for non-domiciled individuals is retained[1] – in addition, this treatment should be extended to those individuals who become deemed-domiciled in the UK. Moreover, we think that this limit should be reviewed with a view to increasing it. We also recommend that the other existing exemptions that aim to protect low-income migrants should also be reviewed – both to see whether the proposals are likely to affect them adversely (and if so take appropriate remedial action) and with a view to increasing them such that they retain their value.

1.3 The £2,000 *de minimis* threshold was a hard-fought concession obtained by LITRG to prevent many low-income non-domiciled individuals finding themselves on the wrong side of the law. With a threshold such as this, for which there was and still is a clear rationale, the onus should be on the Government to justify their wish to remove the threshold, rather than

[1] Section 809D, Income Tax Act 2007.

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requesting justifications from stakeholders for its retention. There are no such reasons put forward by HMT in the consultation document.

1.4 For low-income individuals with overseas income, gains and/or assets, the failure to retain an appropriate *de minimis* threshold would result in a significant administrative and reporting burden. It would also result in extra work for HM Revenue & Customs (HMRC) and would in many cases not produce any tax revenue, due to the availability of double tax relief.

1.5 We are concerned that low-income, unrepresented migrants will be unfairly penalised by the changes proposed, especially with the proposed introduction of a strict liability offence in respect of failures to declare offshore income and gains. It is important to bear in mind that many low-income migrants will not be able to afford to pay for tax advice. Even the most diligent and thorough migrant will likely find it difficult to get to grips with the complexities of the UK tax system.

1.6 It will be essential to provide effective communications across a broad range of channels prior to the introduction of the proposed changes. It will also be necessary to think about publicising any changes in different languages – particularly those languages most spoken by migrants to the UK. There must also be help and advice channels available. Such channels should be available both digitally and non-digitally and they should target hubs which affected individuals are likely to access. This will be particularly important if the £2,000 *de minimis* threshold is scrapped. Otherwise, it would be unconscionable for HMRC to proceed on a proposed strict liability basis in relation to undisclosed offshore income and gains.

1.7 Record-keeping requirements resulting from the proposals must be reasonable. There should be tools available to enable individuals to self assess and understand the impact of their domicile status – these must be well promoted, easy to use and provide clear explanations (remembering that English may not be the first language of users). The user should be able to rely on the results produced by the tools, provided they made a reasonable effort to use them correctly – this effort must provide a reasonable excuse defence in the event of a penalty for an unintentional error.

2 About Us

2.1 The LITRG is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.

2.2 LITRG works extensively with HMRC and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.

2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3 Introduction and comments on draft legislation

3.1 Our CIOT colleagues are also responding to this consultation, but this LITRG submission focuses on issues relevant to low-income migrants both coming to and leaving the UK. Nevertheless, we make some comments at other points where we have an interest. We agree with the points made in the CIOT submission (expanding below on those we see as of most relevance to the low-income, unrepresented migrant to or from the UK).

3.2 The consultation was published 30 September 2015 with a submission deadline of 11 November 2015 – a consultation period of only six weeks. This is rather disappointing in view of the significant nature and complexity of the changes, although we recognise that stakeholder meetings have been held prior to publication of the consultation and during the consultation period itself. It is also disappointing that the consultation only relates to how the changes should be implemented and not to the question of whether or not they should be introduced at all as the overarching policy has already been decided.

3.3 We note that the continuing use of the legal concept "domicile" (and specially created variants thereof, labelled "deemed domicile") in the tax system means that the tax position of many migrants to and from the UK remains extremely complex, despite the introduction of the Statutory Residence Test (SRT) with effect from 6 April 2013.[2] We have previously suggested that more radical reform could result in a much simpler overall system; in particular, we suggested that the use of the concept of domicile within a tax context could be ended and instead, UK tax rules could be based solely on residence, perhaps with a distinction between short-term and long-term residents.[3] However, as we understand that is unlikely to happen, we focus on minimising the tax complexities for those on the lowest incomes.

3.4 It states in the foreword to the consultation that "The majority of non-domiciled individuals who come to the UK leave again within a few years from the date they first arrive".[4] It would be interesting to understand the statistical basis for this statement, since the exact number of UK resident non-domiciles is unknown. The vast majority of non-domiciled individuals do not complete tax returns, meaning self assessment declarations of non-domicile represent a

[2] Schedule 45, Finance Act 2013: http://www.legislation.gov.uk/ukpga/2013/29/schedule/45/enacted

[3] Para. 2.2.3 of the LITRG response to the HMRC/HMT consultation *Statutory definition of residence* (Sep. 2011): http://www.litrg.org.uk/submissions/2011/defn-tax-res

[4] https://www.gov.uk/government/consultations/reforms-to-the-taxation-of-non-domiciles

fraction of the true number. For example, according to the Office for National Statistics, there could be in excess of eight million people living in the UK who are not UK nationals,[5] many of whom are also likely to be non-domiciled (the difficulties of losing one's domicile of origin are well known through numerous court decisions). This represents a significant proportion of the population.

3.5 In Chapter 3 of the consultation, "Deemed UK domicile for long-term residents", with regards to the proposals that will mean a foreign domicile who has lived in the UK for 15 consecutive tax years can leave the UK for six or more consecutive tax years before returning here and claiming non-domicile status again, we observe that this ability to arrange their affairs in such a way that they can easily switch their residence to another country is not a characteristic of most low-income migrant workers.

4 Q1. Do stakeholders agree that the approach outlined in this document is the best way to introduce the test for deemed-domicile status?

4.1 As noted above at paragraph 3.3, we think the continued use of the legal concept "domicile" and variations of this concept, labelled "deemed-domicile" add unnecessarily to the complexity of the UK tax system, particularly for migrants coming to and leaving the UK. This is exacerbated by the fact that it is not possible to obtain a ruling on one's domicile from HMRC and therefore individuals are expected to self-assess on a point that can be particularly difficult to determine. This places low-income individuals in a difficult position, since they may not easily be able to access or afford advice.

4.2 The Government's *Technical Briefing on foreign domiciled persons changes announced at Summer Budget 2015* states at the close of section 1 that "there are a small number who stay for much longer periods and are long-term residents of the UK…" before going on to say in section 2 that it "believes that long term UK resident non-doms should pay UK tax on their personal worldwide income and gains, regardless of whether the amounts are received in the UK or overseas."[6] This suggests that the main concern is that all long-term residents in the UK should pay tax on their worldwide income and gains on the arising basis, regardless of their domicile. This might be better achieved therefore by removing the role of domicile, and simply introducing rules based on the number of years of residence.

4.3 In terms of the deemed test, on the basis that the proposed rules will be introduced, we agree that it would be sensible to count any year of residence, including years spent in the

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[5] See *Population by country of birth and nationality Jan 2014 to Dec 2014*: http://www.ons.gov.uk/ons/rel/migration1/population-by-country-of-birth-and-nationality/2014/index.html

[6] https://www.gov.uk/government/publications/technical-briefing-on-foreign-domiciled-persons-changes-announced-at-summer-budget-2015

UK while the individual is under the age of 18 and tax years where split year treatment applies.

4.4 We agree that individuals who acquire a deemed-domicile should be able to access UK and foreign capital losses in the same way as a UK domiciliary. In conjunction with this there is a need for explicit rules to show how an individual can 'prove' those losses, in order to ensure they can access the appropriate loss relief.

5 Q2. Are there any difficult circumstances that might arise as a result of this approach that could be avoided with a different test?

5.1 For tax years post April 2013, the SRT will be used to determine residence. The consultation document indicates that for tax years prior to April 2013, it will be necessary to use the rules that applied at the time. We think it would be sensible to allow an election to use the SRT for tax years prior to April 2013. For unrepresented individuals, it will be simpler to use the SRT and therefore provide more certainty in relation to their position.

5.2 Once an individual is deemed domiciled in the UK under the 15 year rule, they will not be able to claim the remittance basis for overseas chargeable earnings.[7] This might unfairly affect low-income migrant workers, who come to the UK and are tax resident here for a number of years. They may work in the UK for part of the year and also return to their home country to work there (for a foreign employer) for part of the year.

6 Q3. The government is interested in views from stakeholders about the need for preserving the £2,000 de-minimis threshold for those non-domiciled individuals who become deemed UK domiciled.

6.1 The £2,000 *de minimis* threshold was a hard-fought concession obtained by LITRG to prevent many low income non-domiciled individuals finding themselves on the wrong side of the law. With a threshold such as this, for which there was and still is a clear rationale, the onus should be on the Government to justify their wish to remove the threshold, rather than requesting justifications from stakeholders for its retention.

6.2 For individuals affected by the proposed rules, we think it will become nigh on impossible to deal with their tax position without an adviser. As a result, we are extremely concerned that unless the £2,000 *de minimis* threshold is (at the very least) retained, there will be unfair disadvantages for those on low incomes and without access to professional advisers. In

[7] Section 22, Income Tax (Earnings and Pensions) Act 2003.

particular, these individuals are more likely to fall foul of tax complications, with resultant compliance consequences in the future.[8]

6.3 We think there is still a need to preserve the £2,000 *de minimis* threshold and to extend it to cover those non-domiciled individuals who become deemed UK domiciled. Just as there are wealthy individuals who are resident in the UK for several years, but who do not intend to stay permanently and therefore remain non-domiciled, there are less affluent individuals in the same position. Migrants to and from the UK are a mixture of people with varying personal circumstances; many are migrant workers on low incomes. These are unrepresented individuals, who cannot afford professional fees. In addition, sources of tax advice are extremely limited. If the threshold is not maintained and extended, then these low-income migrants to the UK will face significant compliance burdens and possibly increased tax burdens. The rationale behind the initial introduction of the *de minimis* threshold remains.[9]

6.4 Firstly, the £2,000 threshold does not merely relate to savings income.[10] It can be any type of income, whether employment, self-employment, rental, savings, etc. It also extends to gains. The proviso is that there must be no more than £2,000 of unremitted foreign income and gains.[11] It should also be noted that although some of the individuals protected may have £1,999 of unremitted foreign income and gains, many of the individuals concerned will have much lower amounts than this. HMRC's own guidance in the *Residence, Domicile and Remittance Basis Manual* suggests that, for many people with unremitted income and gains below the £2,000 threshold "their foreign income or gains each year is minimal and they

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[8] We made similar points in section 3.2 of our response to the HMT/HMRC consultation document *Reform of the taxation of non-domiciled individuals* (Sep. 2011): http://www.litrg.org.uk/submissions/2011/tax-non-dom

[9] We refer you to the points we made in our response to the HMT consultation document *Paying a fairer share: a consultation on residence and domicile* (Feb. 2008): http://www.litrg.org.uk/submissions/2008/paying-a-fairer-share-a-consultation-on-residence-and-domicile-litrg-response

[10] We mention this, because we have come across the comment that "savings income of £2,000 is still a relatively large amount". In addition, the consultation document seems to assume that the threshold relates only to savings income and gains, when it states (section 3.1), "the recent changes to the treatment of interest and dividend income mean that from April 2016, all taxpayers will be able to receive up to £28,000 of income/gains without paying any UK tax when the allowances for interest and dividend income are combined with the capital gains tax annual exemption and the personal allowance": https://www.gov.uk/government/consultations/reforms-to-the-taxation-of-non-domiciles

[11] Section 809D, Income Tax Act 2007.

tend not to make taxable remittances so there would be very little else to complete on the return."[12]

6.5 Secondly, one of the reasons for the introduction of the *de minimis* threshold was to reduce compliance burdens, by keeping people out of self assessment – not only for the individuals concerned, but also for HMRC. If the threshold is removed, the individuals will have to enter self assessment – this places a burden on the individual and on HMRC. In addition, since we are dealing with foreign income and gains, double taxation relief or unilateral relief is likely to be available. The taxpayer will need to understand the availability of the relief and how to claim it. This may work smoothly, if the tax years are aligned in such a way that the individual has already paid tax in the overseas country and can claim immediate relief such that they either pay no tax or only the excess tax in the UK. However, if the individual has not already paid tax in the overseas country at the time payment becomes due in the UK, the position will be more complex, and the individual is likely to be out of pocket for some time. If the tax rate in the UK is higher than that in the overseas country, the individual will face a higher tax charge overall, which may be difficult for a low-income individual to cope with.

6.6 We can see a practical difficulty arising for HMRC in respect of compliance. HMRC have historically found it difficult to reach and communicate with the low-income migrant population.[13] It is likely therefore that low-income, unrepresented individuals affected by these rules might fail to comply, through a lack of awareness and/or understanding – this population are unlikely to be aware that income or gains they remit to the UK is chargeable on the remittance basis. If this turns out to be case, we doubt that it will be cost-effective for HMRC to police the rules among this population, as there is likely often to be little or no tax at stake (due to double taxation relief). In effect, the removal of the £2,000 *de minimis* threshold is likely to bring increased administrative burdens for both affected low-income individuals and HMRC, but not bring in much additional tax revenue. In many cases, it will just lead to a time-consuming and burdensome reporting exercise.

6.7 Another difficulty that will arise from the proposals is that an individual who becomes deemed domiciled in the UK will potentially be subject to tax both on the arising basis (for new worldwide income and gains) and the remittance basis (for foreign income and gains from previous years). This will cause practical difficulties for any individual affected; but if the £2,000 *de minimis* threshold is removed, this will leave those with small amounts of unremitted income and gains and of small means with an unreasonable burden. Even allowing for the fact that they will have been tax resident in the UK for 15 tax years if

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[12] RDRM32110 – Remittance Basis: Accessing the remittance basis: Exceptions to the claim requirements: Un-remitted foreign income and gains below £2,000 threshold: http://www.hmrc.gov.uk/manuals/rdrmmanual/RDRM32110.htm

[13] LITRG received grant funding (2011/12 – 2013/14) from HMRC for its Tax Guide for Migrants project, which was specifically aimed at communicating information about the UK tax system to this population.

affected, this does not mean that their English will be of a sufficient level to enable them to grasp the tax guidance.[14]

6.8 If the *de minimis* threshold is removed, it will be essential that HMRC produce tools and guides to both raise awareness and enable understanding among low income, unrepresented individuals affected by the changes. In addition, they must ensure that such support materials are disseminated effectively. If HMRC do not do this, then such individuals should automatically be assumed to have a reasonable excuse for failing to comply.

6.9 We are particularly concerned about the suggestion that the £2,000 *de minimis* threshold might not be retained in light of the proposals to institute a strict liability regime in respect of undeclared offshore income and gains.[15] We do not think such an approach is appropriate in relation to individuals who have not previously been under any obligation to report and pay tax on their unremitted foreign income and gains.

6.10 We further take the opportunity to recommend, as we have done before, that the *de minimis* threshold should be increased substantially.[16] One possibility would be for the threshold to match the level of the personal allowance. As we have previously noted, this would allow more low-income migrants to safely ignore overseas interests, such as family partnership arrangements, which may still exist in their home country while they are in the UK.[17] In addition, it would also assist individuals who carry out some self-employment work in their home country or who have rental property income, who are not covered by the exemption mentioned below (see paragraph 6.11).

6.10.1 For example, a tradesman who takes an employed position in the UK for ten months of the year might return to their overseas home for the other two months of the year and earn over £2,000 on a self-employed basis while there, thus having unremitted foreign income exceeding the current *de minimis* threshold. Technically,

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[14] At section 3.1 of the consultation, it states, as an argument for removing the £2,000 threshold, "Firstly, any individual who lives in the UK for at least 15 years should be expected to familiarise themselves with the legislation of that country." We point out that a recent research report shows quite clearly that there is a lack of awareness and understanding of a relatively simple aspect of the UK tax system, even among higher and additional rate taxpayers: https://www.gov.uk/government/publications/awareness-and-understanding-of-taxation-of-savings-interest

[15] We refer in particular to concerns raised in paragraph 2.3 f. and 3.1 ff. of our CIOT colleagues' submission in response to a recent consultation *Tackling offshore tax evasion: A new criminal offence for offshore evaders*: http://www.tax.org.uk/tax-policy/public-submissions/2015/151012_tackling_offshore_tax_evasion

[16] See section 4.3 of our response to the HMT/HMRC consultation document *Reform of the taxation of non-domiciled individuals* (Sep. 2011): http://www.litrg.org.uk/submissions/2011/tax-non-dom

[17] Ibid.

such a person will have to claim the remittance basis and lose their personal allowance, or to report worldwide income on the arising basis via self assessment. Being employed in the UK and having tax deductions under PAYE, the tradesman in this example is unlikely to be aware of this. And indeed, if the overseas work were done on an employed basis, he might fall within the exemption noted below.

6.11 In addition, we note that there are other existing exemptions that aim to protect low-income migrants. In particular, we are thinking of the exemption for taxed overseas employment income of up to £10,000 and investment income of £100 of a non-domiciled individual, which keeps basic rate taxpayers outside the self assessment regime.[18] We think that these should also be reviewed – both to see whether the proposals are likely to affect them adversely (and if so take appropriate remedial action) and with a view to increasing them such that they retain their value.[19] For example, the £10,000 exemption level has been in place since 6 April 2008 – it should now be increased to take account of changes in earnings levels since its introduction. It should also be kept under regular review thereafter. The investment income exemption level was set at £100. We initially thought that this was too low, and we think this should be increased immediately to £1,000 (thus matching the level of the Personal Savings Allowance).[20] Again this should be reviewed regularly to account for future inflationary changes.

6.12 Given that this rule was introduced to eliminate HMRC's costs in processing self assessment tax returns which yield little or no return after taking into account double taxation rules, the likely cost of our proposed changes is thought to be negligible.

7 Q4. Do stakeholders agree that the approach outlined in this document which will change the inheritance tax rules for those UK domiciliaries who are leaving the UK is straightforward and reasonable?

7.1 We agree that alignment of the inheritance tax rules would make sense. We question whether it would not be far more straightforward to make the new rules align with the current rules, rather than *vice versa*. In addition, we would question whether it is reasonable for the UK to claim inheritance tax taxing rights on anyone who leaves the UK to live permanently abroad for as long as six years after their departure from the UK.

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[18] Section 828A ff. Income Tax Act 2007.

[19] We refer to Chapter 6 of the LITRG Manifesto: *A manifesto for low income taxpayers* (Mar. 2015): http://www.litrg.org.uk/reports/2015/LITRGManifesto

[20] We think this is appropriate as the Personal Savings Allowance is to be £1,000 for basic rate taxpayers and the exemption (under section 828A ff. Income Tax Act 2007) applies only to basic rate taxpayers: https://www.gov.uk/government/publications/personal-savings-allowance-factsheet

7.2 Excellent communications and guidance will be needed – both in terms of the change to the point at which deemed domicile starts to apply for inheritance tax and in respect of the inheritance tax rules for deemed-domiciles and UK domiciliaries leaving the UK. In respect of leaving the UK, we note that deemed-domicile status will continue for up to six years; once they are not resident in the UK, this deemed-domicile status will be relevant only for inheritance tax purposes. This is quite complex to explain, particular to a non-domicile, who is less familiar with the UK tax system: on the one hand, when this deemed-domicile status becomes relevant, it affects income tax, capital gains tax and inheritance tax; but, when leaving the UK, income tax and capital gains tax drop out of the equation first, then inheritance tax sometime later.

8 Q5. Do stakeholders agree that the period a spouse needs to remain non-resident before the inheritance tax spouse election ceases to have effect should be amended to 6 years?

8.1 Again, we agree that it is logical to align the rules, but we question the reasonableness of six years.

9 Q6. In what circumstances would having a short grace period for inheritance tax help to produce a fair outcome?

9.1 The simplest solution would probably be to set a specific length for a grace period, for example three tax years of UK residence, which applies to all "returning UK domiciliaries". In particular, this might be possible if all individuals with a UK domicile of origin are covered by the "returning UK domiciliaries" rule (see paragraph 11.2 below).

9.2 Alternatively, it would be necessary to not only specify a period of grace, but also the types of circumstances that would permit an individual to take advantage of this. This might prove complex, both for individuals trying to benefit from the grace period, but also for HMRC to police effectively. There may often be a range of circumstances or reasons behind an individual's decision to live in the UK and these may be intertwined. One set of circumstances might be a temporary period of residence to care for a sick relative and more generally, circumstances beyond the individual's control.

10 Q7. What difficulties do stakeholders envisage there could be for trustees tasked with calculating the 10 year change in these circumstances?

10.1 No comment.

11 Q8. Do stakeholders agree this is the most reasonable way to deliver these reforms? Are there any circumstances when applying these rules would produce unfair outcomes?

11.1 As noted above, we think the continued use of the concept of domicile, but in particular the nuanced variations to the concept by the UK Government, labelled "deemed domicile" creates unnecessary complexity in the UK tax system. In the case of the proposals in respect of "returning UK domiciliaries", we think the rules are confusing and are likely to catch the unrepresented out. As a result, there will undoubtedly be unfair outcomes.

11.2 In particular, we note that these reforms affect the tax position of individuals based on two criteria completely outside their control:

- their place of birth;
- their domicile of origin.

Arguably, if the Government wishes to target individuals with a UK domicile of origin, this policy should apply to all individuals with a UK domicile of origin, regardless of their place of birth.

11.3 In effect, the proposed rules would create three separate sets of rules about domicile and deemed domicile, for example, in relation to being able to reset the "deemed domicile" clock: for those with a foreign domicile of origin, those with a UK domicile of origin born outside the UK and those with a UK domicile of origin born within the UK. This will be extremely complex and confusing.

11.4 When leaving the UK, a returning UK domiciliary will have to consider how many tax years they have spent here and also consider whether or not they have acquired an actual UK domicile during their time in the UK. This will affect how quickly they can lose their UK deemed domicile status. This will be extremely complex, especially for low-income, unrepresented individuals – not only will they have to consider the legal domicile rules, they will also have to consider a variety of tax domicile rules.

11.5 With regard to this, we note that it is difficult to obtain a ruling on domicile, so it is not as simple as saying, as it does at section 4.3 of the consultation, "this assumes they have retained their foreign domicile status under general law".[21]

11.6 The proposals might affect individuals coming to work for a short time in the UK, who would previously have been able to claim Overseas Workday Relief.[22] This can be accessed by non-domiciles who have a recent three-year period of non-residence. Although there is no intention to amend the legislation for this relief, the proposals to make "returning UK domiciliaries" deemed domiciles would prevent such individuals from claiming this relief, even if they have lived most of their life outside the UK.

11.6.1 For example, Peter was born in the UK with a UK domicile of origin. He and his parents emigrated from the UK to Australia when he was still a child. He acquired a

[21] https://www.gov.uk/government/consultations/reforms-to-the-taxation-of-non-domiciles

[22] Sections 26 and 26A Income Tax (Earnings and Pensions) Act 2003.

domicile of dependence (and/or of choice) in Australia. After working for ten years in Australia, he obtains a job in the UK. Under the proposed rules, he would not be able to access Overseas Workday Relief. Meanwhile, Peter's older sister, Sheila, shows the same domicile characteristics, but she was born in Spain. So when she also moves to the UK to work, she can access the relief.

11.7 Not only could this be viewed as unfair, but it is an effect that will require careful and clear communications and guidance. This is because someone may be legally non-domiciled and therefore attempt to claim the relief, but also because in situations like those in the example above, the rationale and logic behind the position will seem to be missing to those affected.

12 Q9. Would the rules as described leave any significant uncertainty? If so, how?

12.1 Domicile is a general legal concept. The proposals in respect of individuals who had a UK domicile at the date of their birth and who were born in the UK mean that such an individual might have a foreign domicile according to law but a UK domicile for tax purposes only. This means the UK Government is proposing to change the concept of domicile for one purpose only, which is confusing. This will be difficult for advisers to explain to clients. More to the point however, for those individuals who are unrepresented, there may be both lack of awareness of this subtle difference and also a lack of understanding if they happen to come across it. As we have noted above, it is unnecessarily complex and confusing to take a legal concept, retain its name, but change its outcome for tax purposes. It is not reasonable to expect low-income, unrepresented individuals to either be aware of these rules or to understand them.

LITRG
9 November 2015