

WRITTEN MINISTERIAL STATEMENT

Non-domicile taxation and statutory residence test

The Exchequer Secretary to the Treasury (David Gauke): At Budget 2011, the Government announced a package of reforms to the taxation of non-domiciled individuals and its intention to introduce a statutory definition of tax residence.

Following consultation, the core reforms to non-domicile taxation will be included in Finance Bill 2012 as announced and draft legislation is published today. This comprises the introduction of a higher £50,000 annual charge, a new relief to encourage business investment and technical simplifications to some aspects of the existing non-domicile rules.

The legislation of Statement of Practice 1/09, which is one of the simplifications to the existing non-domicile rules, will be taken forward in Finance Bill 2013 to take effect from April 2013.

The consultation on tax residence raised a number of detailed issues which will require careful consideration to ensure the legislation achieves its important aim of providing certainty for individuals and businesses. The Government will therefore legislate the statutory residence test in Finance Bill 2013 to take effect from April 2013 rather than April 2012. It will introduce any reforms to ordinary residence at the same time. This will give time to consult thoroughly on the detail of these changes well in advance of implementation.

The Government is committed to the form of the statutory residence test outlined in consultation. It will make a further announcement around Budget 2012 when it will publish its response to the recent consultation together with a further consultation on policy detail and draft legislation.

This will ensure that the full package of measures announced at Budget 2011 will be implemented in a two-step programme that will be completed in Finance Bill 2013. The Government remains committed to making no further substantive changes to these rules for the remainder of this Parliament.

The Government has also tabled two further written statements today which:

- set out legislation for Finance Bill 2012 and updates on tax policy; and
- set out legislation for Finance Bill 2012 which has effect from today.

HM Treasury

6 December 2011