



Increase to Remittance Basis Charge

Who is likely to be affected?

Non-domiciled individuals (non-doms) who choose to pay tax on the remittance basis on their overseas income and gains.

General description of the measure

This measure will increase the Remittance Basis Charge (RBC) paid by non-doms who have been resident in the UK for more than 12 of the past 14 years and who wish to retain access to the remittance basis of taxation. There will be a new charge introduced for people who have been resident in the UK for more than 17 of the past 20 years. The £30,000 charge will remain the same for those resident in the UK for 7 of the past 9 years.

Policy objective

This measure supports the Government's objective to create a fairer tax system by asking people who are not domiciled in the UK to pay a higher charge if they elect to pay tax on the remittance basis when they have spent a significant amount of time in the UK.

The UK's remittance basis remains a very generous tax regime which ensures that the UK remains competitive. The introduction of the 17 year charge point aligns this policy with the inheritance tax deemed-domicile rule ('17 out of 20 years', IHTA84/S267 (1) (b)).

Background to the measure

Non-doms can elect to pay tax on the remittance basis so that UK tax is only paid on foreign income or gains when they are brought into the UK. Since 2008, making the election has meant forfeiting a claim to both the personal allowance and the annual exempt allowance for Capital Gains Tax (CGT). Those who have been resident in the UK for more than 7 out of the past 9 tax years can elect to pay an annual £30,000 RBC to continue to use the remittance basis. Since April 2012, the charge is £50,000 for those who have been UK resident for 12 out of the past 14 tax years. The RBC does not apply if the non-dom has less than £2,000 unremitted foreign income and gains in a tax year or is under 18, no matter how long they have been resident in the UK.

Detailed proposal

Operative date

This measure will have effect on and after 6 April 2015.

Current law

The remittance basis rules are set out in Chapter A1 of Part 14 of the Income Tax Act 2007. These provide that an individual who is resident but not domiciled in the UK can choose to be taxed under a special regime whereby they are liable to UK tax on their income and gains arising in the UK, but only taxed on their overseas income and gains to the extent that they are brought into the UK.

Under section 809C, a non-dom who is resident in the UK for 7 out of the 9 preceding tax years pays an annual charge on their foreign income and gains, as defined in section 809H, of £30,000. If they have been resident for 12 out of the 14 preceding tax years, the annual charge is £50,000.

An individual who is resident for 12 out of 14 years pays £50,000 instead of, and not as well as, the £30,000 charge.

Proposed revisions

The charge for people who have been resident in the UK for 7 of the past 9 tax years will remain at £30,000. Legislation will be introduced in Finance Bill 2015 to increase the 12 out of 14 year charge from £50,000 to £60,000, and to introduce a 17 out of 20 year charge of £90,000. The Government will be consulting on the Remittance Basis charge becoming an election that can only be made once every three years.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	nil	+120	+90	+90	+90
	These figures are set out in Table 2.1 of Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, families, and households	<p>The measure will have an impact on approximately 5,000 non-domiciled individuals who choose to pay tax on the remittance basis on their overseas income and gains. Those who have been in the UK for 12 of the past 14 years will pay £10,000 more per year. Those who have been in the UK for 17 of the past 20 years will pay £40,000 more per year. All individuals will still have the option of paying income tax on all worldwide income and assets if the charge is greater than the tax advantage of using the RBC.</p> <p>It will increase the charge that they pay but will not create an additional burden. The charge will continue to be collected through Self-Assessment.</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>					
Equalities impacts	The Government has given due regard to any impact on people with protected characteristics and it is not anticipated that there will be an impact on such groups.					
Impact on business, including civil society organisations	<p>This measure is expected to have no impact on businesses or civil society organisations.</p> <p>This measure is directed at a small number of individuals seeking to use the remittance basis of taxation in respect of their overseas income and gains.</p>					
Operational impact (£m)	This measure can be implemented within HMRC's current funding allocation.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and receipts and communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Tracy Gribble on 03000 585169 (email: tracy.gribble@hmrc.gsi.gov.uk) or contact Jane Page on 020 7270 4568 (email: jane.page@hmtreasury.gsi.gov.uk).

1 Increased remittance basis charge

- (1) Chapter A1 of Part 14 of ITA 2007 (remittance basis) is amended as follows.
- (2) In section 809C (claim for remittance basis by long-term UK resident: nomination of foreign income and gains to which section 809H(2) is to apply) –
 - (a) in subsection (1)(b), after “meets” insert “the 17-year residence test,”;
 - (b) after subsection (1) insert –
 - “(1ZA) An individual meets the 17-year residence test for a tax year if the individual has been UK resident in at least 17 of the 20 tax years immediately preceding that year.”;
 - (c) in subsection (1A), after “the individual” insert –
 - “(a) does not meet the 17-year residence test for that year, but
 - (b) ”;
 - (d) in subsection (1B)(a), after “meet” insert “the 17-year residence test or”;
 - (e) in subsection (4) –
 - (i) before paragraph (a) insert –
 - “(za) for an individual who meets the 17-year residence test for that year, £90,000;”;
 - (ii) in paragraph (a), for “£50,000” substitute “£60,000”.
- (3) In section 809H (claim for remittance basis by long-term UK resident: charge) –
 - (a) in subsection (1)(c), after “meets” insert “the 17-year residence test,”;
 - (b) in subsection (1A) –
 - (i) for “809C(1A)” substitute “809C(1ZA), (1A)”;
 - (ii) after “meets” insert “the 17-year residence test,”;
 - (c) in subsection (5B) –
 - (i) before paragraph (a) insert –
 - “(za) if the individual meets the 17-year residence test for the relevant tax year, £90,000;”;
 - (ii) in paragraph (a), for “£50,000” substitute “£60,000”.
- (4) The amendments made by this section have effect for the tax year 2015-16 and subsequent tax years.

EXPLANATORY NOTE

INCREASED REMITTANCE BASIS CHARGE

SUMMARY

1. This measure introduces changes to the remittance basis charge payable by individuals who are usually resident, but not domiciled, in the UK. The changes will apply from the start of the 2015-16 tax year.

DETAILS OF THE CLAUSE

2. Clause [X] introduces a new remittance basis charge of £90,000 payable by individuals who claim the remittance basis of taxation and who have met the “17-year residence test”: that is, they have been resident in the UK in at least 17 of the 20 tax years preceding the tax year in which they make that claim.

3. Clause [X] also increases from £50,000 to £60,000 the remittance basis charge payable by individuals who claim the remittance basis of taxation and who have met the “12-year residence test”: that is, that they have been resident in the UK in at least 12 of the 14 tax years preceding the tax year in which they make that claim.

4. Subsection (2) amends the existing section 809C of the Income Tax Act 2007 (ITA).

5. Paragraphs (a) to (d) of sub-section (2) define the 17-year residence test and ensure that if it applies then neither the 12-year residence test nor the 7-year residence test will apply.

6. Paragraph (e) of sub-section (2) provides that the maximum relevant tax increase will be:

- for the 17-year residence test, £90,000; and,
- for the 12-year residence test, £60,000.

7. Subsection (3) amends section 809H of ITA. It provides that an individual claiming the remittance basis will be liable to pay:

- an annual charge of £90,000 for any tax year in which they meet the 17-year residence test; and,
- an annual charge of £60,000 for any tax year in which they meet the 12-year residence test, but not the 17-year test.

8. Subsection (4) provides that the Clause has effect from the start of the 2015-16 tax year.

BACKGROUND NOTE

9. The remittance basis is an alternative basis of taxation which applies to foreign income and capital gains. It is available to UK resident individuals who are not domiciled in the UK. Such individuals have the option of electing to be taxed on the remittance basis. Those who do so are liable to UK tax on all their income and capital gains which arise in the UK, but only liable to UK tax on their foreign income and capital gains to the extent that they are remitted to the UK.

10. The remittance basis rules were revised in Finance Act 2008 to introduce an annual remittance basis charge of £30,000 for those who met what is now the 7-year residence test. Finance Act 2012 introduced a higher annual charge of £50,000 payable by individuals who met the 12-year residence test.

11. The objective of the remittance basis charge is to ensure that non-domiciled but UK-resident individuals pay a fair tax contribution. The Government proposes to increase the charge for individuals who meet the 12-year residence test and introduce a new higher charge for individuals who meet the new 17-year residence test.

12. If you have any questions about this change, or comments on the legislation, please contact Tracy Gribble on 03000 585169 (email: tracy.gribble@hmrc.gsi.gov.uk).