

Residency and domicile



Tax is payable to HM Revenue & Customs (HMRC) by those who are resident and/or domiciled in the UK. Determining the correct residency status of an individual, trust or business is therefore fundamental to ensuring tax compliance.

For many, residency and domicile does require any significant consideration, as the UK is where they were born and live.

Why is residency and domicile important?

The legislation in this area has not changed for a number of years. However, HMRC's interpretation and published guidance has changed from IR 20 to HMRC 6. Moreover, HMRC is currently in consultation with all interested parties regarding the legislation of a Statutory Residence Test.

A taxpayer can be resident in more than one tax jurisdiction at the same time.

A taxpayer will have a "domicile of origin" which can be surrendered to a "domicile of choice"

Key factors determining residency

- An individual's past, current and future "connections" with the UK will impact upon determining their residency position.
- Connections can relate to business and family interests as well actual connections in terms of property and bank accounts.
- For those who have "severed or loosened" all such connections, they may no longer be resident in the UK.
- For anyone born in the UK who lives and works in the UK, they will most likely be resident in the UK for tax purposes.
- Problems can arise for anyone born in the UK who moves away from the UK, or anyone who comes to the UK.

Key factors determining domicile

- A taxpayer's domicile is normally determined by reference to the country of origin of that person's father.
- Where the parents are not married at the time of the birth, the domicile of the mother is taken.
- Domicile can only be changed by deliberate action, for example by becoming a naturalised person in another country.

Tax advantages

There are a number of tax benefits in not being resident or domiciled in the UK, including:

- You may not be taxed on all your income; and
- You may not be taxed on all the assets in your Estate on death.

How Haines Watts can help

We will advise you as to whether your residency and/or domicile are factors in achieving full tax compliance either for the past, present or future.

To the extent that there are matters concerning the past, Haines Watts can then advise on the alternative ways of correcting matters.

Haines Watts can also advise you on how to organise your UK tax affairs in order to suit your current or future needs whilst being fully UK tax compliant.

To find out how Haines Watts can help, call Paul Malin on + 44 (0)7919 375 650 or email pmalin@hwca.com, anytime