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NON-RESIDENCE

When the Tories sprung the taxation of non-doms to fund the doubling of Inheritance Tax relief they prepared their figures on the assumption that there were 150,000 such individuals in the UK. They could only hazard a guess because the Treasury wouldn't provide the information.

When Labour introduced their identical plan (albeit with watered down IHT relief) they stated that their rivals had wildly overestimated the number of non-doms. Their Treasury informed number was 112,000!! Given that we represent more than 20 non-doms (US citizens, Canadians, Dutch and Swiss), it seems improbable that one small firm in one small provincial town should have such a disproportionate number of the species!!

Given that there are 120,000 firms of qualified accountants in the UK, and perhaps half as many again of un-qualified chancers, statistically there should be 3.6 million non-doms in the country. The Treasury and HMRC clearly aren't doing a very good job if they know of 112,000! So how many are there?

The acknowledged expert on UK Tax is Mike Truman, the editor of Taxation Magazine. A convivial man of great intellect and humour, he commissioned Richard Murphy of Tax Research to study the subject. He estimates that as many as 7 million people, resident in the UK are entitled to claim that they are non-domiciled here.

Remember, a non-dom is currently defined as someone who has come to this country from overseas and has lived here for less than 17 years. These individuals maintain links with their place of origin and invariably still have assets there, eg a house, a bank account or even a business. Just think of all those Chinese, Indian and Italian restaurateurs! With the time frame being reduced to 7 years of residence in the UK from April 2008, long term Nigerian students will be caught by the legislation. They are undoubtedly funded by overseas income. They will all need to complete UK tax returns. HMRC can't possibly have the resources or the appetite for this as it will more than double the number of tax returns that they currently struggle to process. Great news for accountants!