

Tax File

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Please explain how one actually goes about changing domicile. Do you simply write a letter to the UK Tax Department setting out the reasons why you are no longer domiciled in the UK, for example, no property, no bank accounts, not lived there for 20 years, etc? Presumably one has to name the new domicile as well?
Keith Humphreys

Unfortunately Her Majesty's Revenues and Customs (HMRC) will not give advance rulings on the basis of a statement of fact. If you write to them outlining your circumstances and asking whether they consider you to be domiciled or not, they will generally not reply – except to suggest that you take legal advice. In order to get a “ruling”, it is necessary to create an event that gives rise to lifetime inheritance tax if you are considered UK domiciled and is not taxable if you are considered not domiciled in the UK.

The normal way of doing this is to create a discretionary trust and transfer into it by way of gift an amount sufficiently in excess of the nil rate band to trigger a substantial enough tax bill to interest HMRC. The nil-rate band, if you are domiciled in the UK, would be UK£312,000 (HK\$3.5 million) so it is recommended that about UK£400,000 is transferred into the trust. If you are domiciled, this would give rise to a tax charge of 20 per cent of the excess amount. If you are not considered domiciled in the UK, the HMRC will confirm this by letting you know that no tax is due.

Yes, it is not sufficient to show you have severed your connections with the UK. It must also be shown that you have made substantial connections with a new country where you will remain for the foreseeable future. Indicative factors certainly include the ones you list but other important factors include making a will abroad, buying a burial plot, joining clubs and societies, integrating with your new society, economic and social connections in your new home, obtaining permanent resident status

here, marrying a local, having children educated here, etc – in fact, anything that helps support the contention that you are here to stay and do not intend to live in the UK.

I have had a property in London for about 15 years. I qualified for a British passport under the 1997-98 Ethnic Minority Scheme in Hong Kong but I have never been domiciled or resident in the UK, using the house for occasional short-term visits. I plan to sell my property. I note Howard Bilton says everyone is subject to inheritance tax. However, I have also heard from other sources that one is subject to inheritance tax only on properties over a certain value. My property is valued at just under £300,000 (HK\$3.34 million). Am I correct in thinking that this is below the ceiling for inheritance tax?
Name withheld on request

The property is worth less than the zero rate band so, in this instance, no tax would be payable unless the band is removed or reduced or the property increases in value substantially. The first £312,000 of your UK estate would currently escape UK tax. So it appears your property's value would not exceed the available allowances unless you have other UK-situated assets.



Write to Us
If you have more tax queries, send them to yourmoney@scmp.com



Corrections & clarifications

One answer in the last Tax File Q&A (March 1, 2009) wrongly suggests inheritance tax could depend on residency of the spouse. Matters of inheritance tax are decided on domicile and not residence, and Mr Bilton had indeed meant domicile, not residency. The error was made in the editing process. We regret any confusion this caused.