

newsletter

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by Jon Croxford - [managing partner](#)

In the run up to the recent Budget, all the headlines were about a further 2% cut in National Insurance.

Then, almost out of the blue, came the Chancellor's surprise announcement to effectively abolish non-UK domicile status for taxpayers with effect from 6 April 2025. Replacing the old regime with a new four year exemption from tax on foreign income and gains for individuals who relocate to the UK. The inheritance tax regime is also set to change to a residence-based system. Whilst the country will face a general election before 6 April 2025, the broad thrust of these proposals is likely to have cross party support.

This edition of the newsletter has a focus on Budget-related issues, including a summary of the proposals and an article on offshore taxation matters from Jordan Jackson who joined us from HMRC's Offshore, Corporate and Wealthy investigations team in August.

November saw Meridian's business incorporated and transferred into the ownership of an Employee Trust. Importantly, there has been no change to the business or its personnel.

The firm has always prided itself on offering something different to staff; more flexibility than many larger enterprises and everyone playing an important part in the business. It is 18 years since the inception of the firm and placing it in indirect



employee ownership seemed a natural progression. As part of our longer-term strategy, it also provides a structure for easier succession of key personnel and, importantly, makes clear our stance of remaining independently owned.

I hope you enjoy reading this Spring newsletter; please contact us if you wish to discuss any of the topics covered.

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broken promises

by Tom Norris - [associate](#)



Many of us will have been told at some point to 'think before you speak.'

The consequences of the unthinking words are usually legally insignificant. However, the doctrine of proprietary estoppel can help those seeking to enforce a promise by a landowner to establish a right or interest in land.

The classic example involves a landowner who repeatedly promises their child that they will inherit the family farm upon their death: "one day this will all be yours". It is a narrative the Courts are all too familiar with and despite the child reasonably relying upon that promise, spending his or her life working the farm and passing on other employment opportunities or otherwise, the landowner subsequently bequeaths the family farm to another in their will. This is, of course, devastating for the child (now an adult) in circumstances where their own parent has taken unconscionable advantage of them by denying them the interest they expected to receive in reliance on the promise.

Proprietary estoppel in practice

Proprietary estoppel is a means by which interests in property can be created in the absence of the legal formalities normally required to transfer land. In the example above, it does not matter that the child was not left the family farm in the landowner's will or it was not formally transferred to them in the landowner's lifetime. The doctrine operates to remedy the unconscionable behaviour of a landowner and can establish freehold ownership, a lease, a tenancy, a licence or indeed an easement. Should the child be successful in any claim to establish a proprietary estoppel, it is within the Court's discretion to intervene and award them an interest in the family farm and thereby avoid an unconscionable result. It is consequently, perhaps, sage advice for any landowner when discussing their property and their intentions for it, to not make promises they can't - or do not want - to keep.

Whilst proprietary estoppel is well trodden by those looking to challenge a will, it is not confined to such situations. It can, for example, arise where an individual has improved or extended another's property having relied upon repeated promises that they may reside in the property indefinitely and are subsequently evicted from it. The application of the doctrine is wide and can equally apply to other assets including family-owned businesses (as in the recent case of *Winter and Winter v Winter* [2023] EWHC 2393 (Ch)).

Any claim seeking to assert a proprietary estoppel is not only challenging and time-consuming, but often hostile having arisen from the breakdown of a (familial) relationship. As with any litigation, there are risks and there is no guarantee of success. This area of law is incredibly fact sensitive; each case will be judged upon its own merits. It is therefore important that individuals take legal advice as soon as possible when considering bringing a claim or indeed defending a claim using proprietary estoppel.

the dynamic offshore landscape

by Jordan Jackson - senior tax manager

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HMRC has increased its focus on the offshore arena in recent years publishing a No Safe Haven Strategy in 2019 and, in 2022, committing to publish figures for the 'offshore' tax gap.

A Freedom of Information request demonstrated that 23,936 'nudge letters' relating to offshore matters were sent to taxpayers in 2022/23, up 31% on the previous year.

This activity has been helped by the desire for global tax transparency and the subsequent data sharing initiatives around the world, with HMRC receiving vast amounts of information from overseas jurisdictions about international investments and structures.

More recently, the UK has introduced the Register of Overseas Entities and the Trust Registration Service. These are further 'databases' that HMRC will no doubt mine for relevant information.

Policy changes

In recent years, the government has introduced new rules relating to non-resident capital gains tax, inheritance tax on indirect interests in UK land, transactions in land, the SDLT surcharge on non-UK residents purchasing residential property and increased penalties for offshore matters.

The most significant change by far, however, will be the abolishment and replacement of the tax regime for non-UK domiciled individuals ("non-doms") announced in the recent Budget.

What impacts have these policy changes had?

The previous changes will have affected individuals with offshore affairs in some way; whether income or gains that may not previously have been subject to UK tax now being within the scope of tax, or earlier advice no longer being valid.

Many offshore structures have become less tax efficient or at least more complex to maintain. As governance across the globe has increased, we have seen mounting costs for individuals with offshore interests and we regularly see clients wanting to simplify structures and even bring them within the UK tax net, as the costs of maintaining them begin to outweigh the tax advantages.

Additionally, the behaviour of UK taxpayers has changed. Many with offshore assets and investments will have reviewed and regularised their UK tax affairs, in part due to the numerous offshore disclosure facilities that HMRC has been offering since 2007. UK taxpayers are also now less likely to set up an offshore company or trust due to the diminished tax benefits.

Future change

Changes to the tax regime for non-doms from 6 April 2025 will have extensive consequences for those who have previously benefited from non-dom status.

From a tax perspective the Budget was eventful with highlights including the Chancellor announcing a further 2% reduction in National Insurance from May (on top of the earlier 2% cut in January), and a reduction in the top rate of capital gains tax on disposals of residential property from 28% to 24%.

We also saw the effective abolition of the tax advantages for non-UK domiciled individuals ("non-doms"). These proposals, taking effect from 6 April 2025, include:

- Abolition of the remittance basis of taxation.
- Introduction of a 4 year exemption from tax on foreign source income and gains for someone arriving in the UK. Exempt income and gains can be remitted to the UK free of tax.
- Rebasing of assets for capital gains tax purposes to market value (at 5 April 2019) for those who have claimed the remittance basis.
- Exempting 50% of foreign income from tax in 2025/26 for non-doms moving from the remittance basis to the arising basis.
- Allowing unremitted foreign income and gains to be brought into the UK at a tax rate of 12% in 2025/26 and 2026/27.
- Changing the inheritance tax ("IHT") regime so that someone who has been UK resident for 10 years becomes fully subject to UK IHT on worldwide assets. This regime is subject to consultation.
- Trusts established by non-doms before 6 April 2025 will retain their IHT advantages.

There are planning opportunities but a potential change of Government before 2025 and the IHT consultation adds uncertainty and a review of personal circumstances will be vital.

Although the Government has stated that the remittance basis of taxation will be replaced with a modernised regime, the proposals involve a complete overhaul of the current system with complex and transitional rules.

It was hoped a new regime for foreign nationals coming to live in the UK would continue to attract those with the right skills and wealth but, under the new proposals, the limited tax benefits for new arrivals last for only four years and may not achieve that aim. Various European countries have more attractive regimes for internationally mobile individuals. Furthermore, many existing non-doms living in the UK will be significantly worse off with no obvious parachute to provide a soft landing.

Lasting thoughts

The Government and HMRC seem determined to increase tax revenues with the implementation of new tax policies and increased powers relating to - and enquiries into - offshore matters.

The non-dom reform will reportedly raise £2.7 billion per year by 2028-29, in addition to the £8.5 billion currently paid by non-doms in UK tax.

Those with international affairs are often mobile with options on where to spend time, so is the Government risking alienating those who have in the past brought wealth and investments to the UK? The Office for Budget Responsibility estimates that 10-20% of current non-doms will leave the UK due to the reforms.

Under the planned non-dom changes, the proposal to allow the remittance of untaxed foreign source income and gains to the UK at a tax rate of only 12% gives some compensation, but only time will tell whether the new system benefits the UK economy.



05

school fees trust fund planning

by John Padget - senior associate



On average it can cost circa £300,000 to pay for a single child to be privately educated to the age of 18 and then there can be the costs of further education.

Funding these costs - and how to do this in the most tax efficient fashion - is a common query we encounter from clients with children or grandchildren. Indeed, with suggestions of private school fees becoming subject to VAT if there is a change of government, these costs may well rise.

Trusts supporting education

Historically it was possible to establish specific types of trust, referred to as 'accumulation and maintenance settlements', to fund education among other things. However, these types of trust were effectively abolished in 2006, and since then the issue has become more complicated with specific rules preventing parents from tax efficiently benefiting their minor children via trusts for this purpose.

Fortunately, these restrictions do not apply to grandparents, who can use their accumulated wealth to fund their grandchildren's education via tax efficient means.

Process and benefits

It is possible for grandparents to establish a trust to receive cash, or other assets such as rental properties or shares, which can then be used to pay for their grandchildren's education.

A transfer of assets to a trust is an immediately chargeable transfer for inheritance tax (IHT) purposes and can create a lifetime charge to IHT at 20% to the extent that it exceeds their available IHT nil rate band. However, if fully available, a couple between them would have two IHT nil rate bands of £325,000 allowing up to £650,000 to be transferred into trust free of IHT. If surplus income is available, this can also be used to fund the trust free of IHT.

Capital gains must also be considered but gains on chargeable assets transferred into trust can normally be deferred until the trustees dispose of the asset.

The trust pays tax on its income at the highest rate, currently 45% (39.35% for dividends) and distributions of income to meet school fees carry a 45% credit. However, the beneficiary's personal income tax allowance (£12,570 in 2023/2024) and lower tax band can be set against the distribution and will normally result in a tax repayment. The net effect can be a 0% (or at least very low rate) of tax on trust income used to meet school and university fees.

The use of a grandparents' trust can therefore provide significant IHT and income tax advantages.

Trusts also provide asset protection by ensuring the funds are used for the intended purpose. If a gift was made to the parents to fund school fees and there was some unforeseen event, such as bankruptcy or divorce, then the benefit of the gift could be unintentionally lost.

If managed properly, a trust can provide multiple benefits for many years. But the formalities to create, and the ongoing administration to maintain a valid trust during lifetime, need careful consideration.



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Q&A with Mel Grosse

Mel Grosse is a Paralegal in our estate planning and administration team.

What is your current area of specialism and what do you enjoy most?

Joining Meridian's business support team in 2019 introduced me to the legal profession, a career which I'd not considered before joining the firm. Transitioning to the role of paralegal last year has been rewarding and I am learning something new every day, I predict I will keep learning daily even if I spend my entire career in private client law. Currently I most enjoy drafting wills with comprehensive and personal letters of wishes, especially for clients with complex family situations where one size does not fit all. Good drafting requires careful consideration of personal circumstances and pre-emption of potential difficulties that could arise in the estate administration. This is a part of the process which I find particularly interesting. Eventually I hope to have a greater focus on Europe-UK cross-border estate planning and estate administration for clients with both UK and foreign assets.

What's your greatest achievement?

The hardest thing I have completed is the 27-mile Pendle Three Peaks Challenge. It took me 12 hours and I couldn't move for two days afterwards. I am not a natural athlete, so the emphasis was on 'challenge'.

What helpful resources or training routes would you recommend for aspiring paralegals?

There are now more routes into the legal profession than there were traditionally with more ways to study part time around work. A CILEX qualification offers flexibility and the opportunity to specialise in a specific area of practice and The University of Law is a very accessible option if (like me) you are returning to education after a break. Online lectures and webinars are great though the best - and most comprehensive - resource are experienced colleagues.

How do you 'switch off' from the day job?

Where to begin... I'm a serial hobbyist with an interest in too many things to do any of them very well. I enjoy exercise, cooking (and eating), reading, singing, dancing (on my own, when

no one's looking), crochet, travel, hiking, language learning and getting dirt under my fingernails gardening.

What's your most memorable travel experience?

My partner and I went on an eight-month trip through Central and South America. It was incredible to see the diversity of culture and nature in that part of the world and experience a different way of life. I also brought a few recipes back with me.

If you could choose anyone, who would be your mentor(s)?

It would have to be the legend himself, Sir David Attenborough (although I may be at the back of a long queue). His determination and tireless devotion to the preservation of our planet and the creatures we share it with is inspiring and humbling. If Sir David is not available, I can always rely on my mum for wisdom and good judgement.

What two words best sum up the qualities required of a private client Paralegal?

Resilience and adaptability (although a sense of humour also helps).



Mel meets the Kuna people, San Blas islands, off the coast of Panama

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Private Client Solicitors Limited

For further information, contact Jon Croxford on 01675 442430 or email: jon.croxford@meridianpc.co.uk
www.meridianprivateclient.co.uk

Meridian Private Client Solicitors Limited, Wood Rydings Court, Packington Lane, Little Packington, Warwickshire, CV7 7HN