

Advance planning for emigration

by Natasha Smith, partner



More people talk about emigration for tax reasons than actually go ahead with it, and this is for good reason. The realities of the upheaval required and the necessity to emigrate to somewhere with a suitably attractive tax regime make it a very difficult decision. Nevertheless, it does seem that more people are seriously considering this option at the current time.

In 2013 a statutory residence test was introduced which, despite its complexity, did away with a lot of

the uncertainty around what it took to become non-UK tax resident. It is, therefore, now possible to make emigration plans with a much clearer idea as to what is required but this planning is best done well in advance and not in the week or two before the departure date, as has been known to happen!

As mentioned, it is of course necessary to emigrate to a territory with an attractive tax system. This will be a very personal choice. The joys of island living, whether in the Channel Islands or further afield, are not for everyone. Apart from the well known low tax territories, there are opportunities to take advantage of tax systems in countries such as Italy which has recently introduced beneficial tax rules for immigrants which are very close to our own non-domicile rules.

It is worth bearing in mind that it may be necessary to be non-resident

for more than five years if UK tax on capital gains and income derived from closely held companies is to be avoided. Even then, certain classes of UK source income, such as UK rental income, will remain fully within the scope of UK tax and it may be worth considering the use of an offshore holding vehicle to reduce the rate of tax.

