

How Labour could impose an 'exit tax' on wealthy

You think UK government going to sit on their asses

while non-doms flee? See the US exit tax of 30%. Talk

is that the UK chicken little penalty will be up to 45%

of wealth to reliquish UK tax residence.

Britons fleeing the country The Telegraph 14 Sep 2024

charge.

Rachel Reeves has been urged to impose an "exit tax" on wealthy investors moving their money out of the country. Resolution Foundation, a Left-leaning think tank, has called for Labour to hit those relocating overseas with a capital gains tax

It comes as wealth managers report a surge in the number of super-rich individuals leaving the country ahead of the Budget next month.

Under current rules, investors pay no capital gains tax on UK shares if they leave Britain for more than five years. However, in a report exploring the fiscal choices facing the Chancellor in the Budget on October 30, the Resolution Foundation, which has close links to Labour, recommended scrapping this rule.

No escape! Now Labour plots brutal new exit tax on Brits who try to leave the country



Article from Express 14 Sep 2024

This could cost relocating Brits up to £45,000 of every £100,000 they have.

Currently, entrepreneurs and investors pay no capital gains tax (CGT) on UK shares if they leave Britain for more than five years. The Resolution Foundation wants this rule scrapped and a CGT-style exit charge applied instead, according to today's Daily Telegraph.

With CGT rates set to rise in the Budget, this could cost relocating Brits up to £45,000 of every £100,000 they have.

As yet, it isn't clear whether this exit charge will apply to assets, such as property and businesses. But I bet it would. The UK already faces a net loss of up to 9,500 millionaires this year, more than double the 4,200 who left in 2023, according to the Henley Private Wealth Migration report 2024.

Talk of an exit tax could turn that into a stampede. I can see the appeal to Labour social warriors. And it could deliver a short term cash injection for the Treasury. But I fear it would wreak long-term damage.

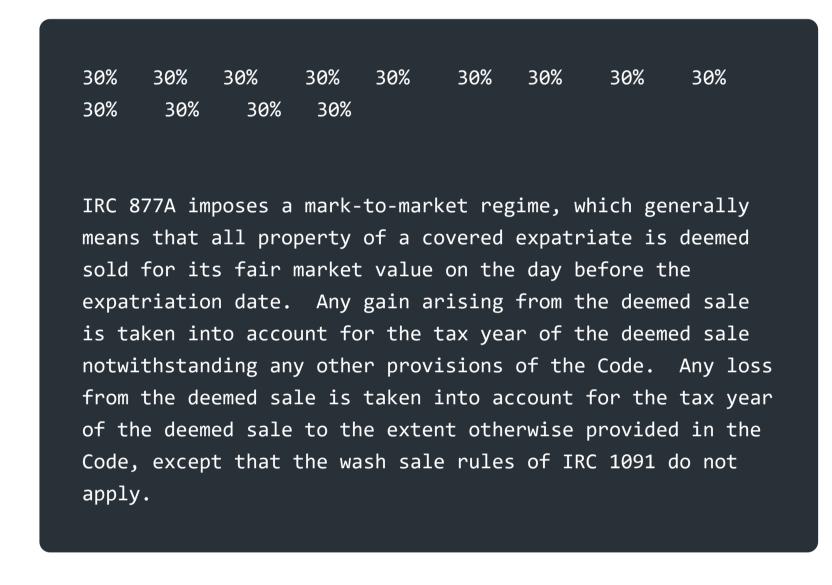
As will other Labour taxes. The proposed raid on foreign non-doms has persuaded many to up sticks and take their tax revenues elsewhere. Instead of raising £3billion as Reeves hopes, it could end up costing the UK £1billion in lost revenues.

An exit tax would have a similar result.

The US already experts at this



US Expatriation Tax IRC 877A expatriation rules



Your average annual net income tax for the 5 years ending before the date of expatriation or termination of residency is \$190,000 for 2023).

- Your net worth is \$2 million or more on the date of your expatriation or termination of residency.
- You fail to certify on Form 8854 that you have complied with all U.S. federal tax obligations for the 5 years preceding the date of your expatriation or termination of residency.
- If any of these rules apply, you are a "covered expatriate."
- A citizen will be treated as relinquishing his or her U.S. citizenship on the earliest of four possible dates: 1. the date the individual renounces his or her U.S. nationality before a diplomatic or
- consular officer of the United States, provided the renunciation is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the U.S. Department of State; 2. the date the individual furnishes to the U.S. Department of State a signed statement of voluntary relinquishment of U.S. nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration
- and Nationality Act (8 U.S.C. 1481(a)(1)-(4)), provided the voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the U.S. Department of State; 3. the date the U.S. Department of State issues to the individual a certificate of loss of nationality; or
- 4. the date a U.S. court cancels a naturalized citizen's certificate of naturalization. For long-term residents, as defined in IRC 7701(b)(6), a long-term resident ceases
- to be a lawful permanent resident if: the individual's status of having been lawfully accorded the privilege of residing
- permanently in the United States as an immigrant in accordance with immigration laws has been revoked or has been administratively or judicially determined to have been abandoned, or
- the individual: commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country, does not waive the benefits of the treaty applicable to residents of the foreign country, and notifies the IRS of such treatment on Forms 8833 and 8854.

IRC 877A imposes a mark-to-market regime, which generally means that all property of a covered expatriate is deemed sold for its fair market value on the day before the expatriation date. Any gain arising from the deemed sale is taken into account for the tax year of the deemed sale notwithstanding any other provisions of the Code. Any loss from the deemed sale is taken into account for the tax year of the deemed sale to the extent otherwise provided in the Code, except that the wash sale rules of IRC 1091 do not apply.

Significant penalty imposed for not filing expatriation form

• The Internal Revenue Service reminds practitioners that anyone who has expatriated or

- terminated his US. residency status must file Form 8854, Initial and Annual Expatriation Information Statement, and its Instructions. Form 8854 must also be filed to comply with the annual information reporting requirements of IRC 6039G, if the person is subject to the alternative expatriation tax under IRC 877 or IRC 877A. A \$10,000 penalty may be imposed for failure to file Form 8854 when required.
- IRS is sending notices to expatriates who have not complied with the Form 8854 requirements, including the imposition of the \$10,000 penalty where appropriate. • The Instructions for Form 8854 provide details about the filing requirements, related definitions and line-by-line instructions for completing the form. Failure to file or not including all the information required by the form or including incorrect information could lead to a penalty.
- In September 2019, the IRS announced procedures for certain persons who have relinquished, or intend to relinquish, their U.S. citizenship and who wish to come into compliance with their US. income tax and reporting obligations and avoid being taxed as a "covered expatriate" under IRC 877A. For information on these procedures, including Frequently Asked Questions (FAQs) to determine eligibility, see Relief procedures for certain former citizens.



CRS and CARF expert. No, truly.

Update: Labour's first Budget, non-

domicile changes and carried interest

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