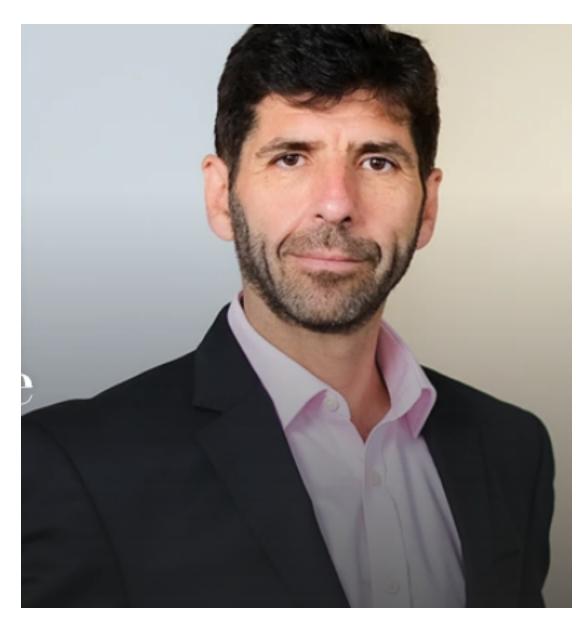


Lawyers have reacted to comments by shadow UK chancellor Rachel Reeves on the BBC Today radio programme that a Labour government would aim to raise £2.6bn by the end of the next parliament by "closing the non-dom tax loophole".



Reeves said a Labour government would raise just over £1bn in its first year in power by strengthening rules the current government plans to bring in concerning non-doms.

Andrew Goldstone, Tax Partner at Mishcon de Reya



Andrew Goldstone

- "The Conservatives' proposal to retain the inheritance tax advantages of excluded property trusts created by non-doms before April 2025 was very deliberate. Their view is that whilst all long-term UK residents should pay the same tax on all income and gains, there should be a window of opportunity for existing long-term resident non-doms to protect their foreign assets from IHT.
- "Otherwise, many wealthy non-doms are likely to leave the UK, taking with them their spending, investment, businesses and employment. This is particularly likely where they are older, unmarried or facing health issues, and where inheritance tax at 40% on their global assets is a genuine concern.
- "It's not clear if Labour's proposals will affect all existing excluded property trusts or just those created after a particular date. That could be the date of the recent Spring Budget announcement, their own recent announcement, the date of their election, their first Budget or perhaps 6 April 2024. Without knowing how they have calculated the potential annual tax saving of £430m, it's difficult to tell."

James Quarmby, partners private wealth & tax at Stephenson Harwood



James Quarmby

- "Shockingly, Labour think the government has been soft on non-doms and is planning to tighten the screws even more should they win the next election. Here are some of the highlights:
- there will be NO transitional period the planned 50% reduction for 2025/26 will be scrapped – meaning that non doms will go straight into worldwide tax from April 2025 if they have been in the U.K. for 4 years.
- excluded property trust status will be ended, with the implication that even trusts funded pre April 2025 will lose their IHT exemption. If this is the case then
- we are looking at truly retroactive tax which is in direct opposition to the promises given by the current Chancellor.
- there is no word about the 4 year period, nor the temporary repatriation facility, which perhaps suggests Labour is broadly content with these.

Anthony Whatling, managing director at Alvarez & Marsal Tax



Anthony Whatling

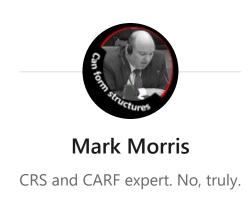
"While the 50% foreign income exemption was designed to ease the transition to new proposed tax rules, Labour's plan to remove it is unlikely to significantly affect non-doms or prompt them to leave the UK en masse.

Inheritance Tax Trust Protection be Gone

 ■ "More worrying is Rachel Reeves' announcement that a Labour government would remove certain inheritance tax benefits for non-UK trusts. • This reform could intensify uncertainty, with the prospect of a 40% tax on certain assets more likely to influence non-doms' decisions to stay in the UK, and casting doubt on the anticipated revenue boost from these changes."

What can be done

See my next article that combine polar bear non-UK trusts, nominees, underlying dutch fund for joint account, etc...



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