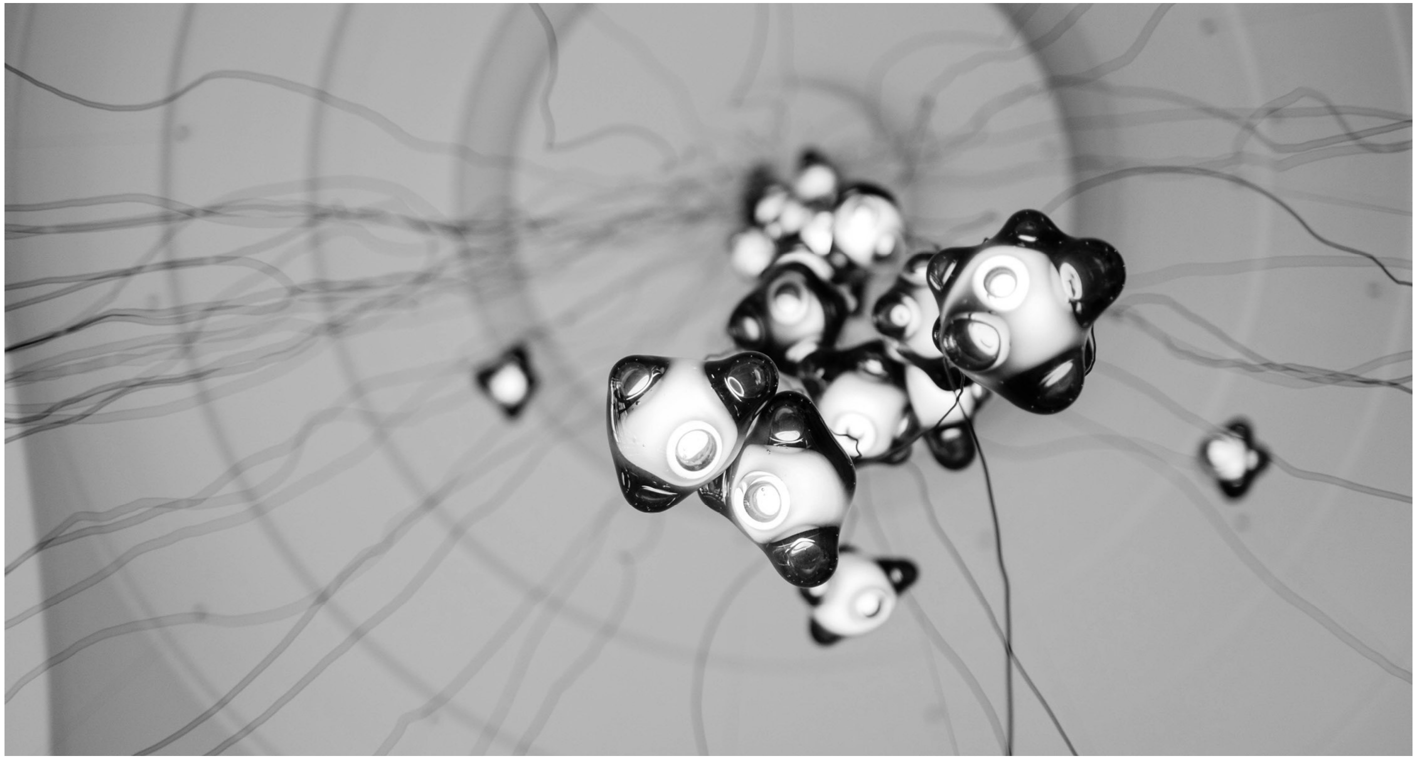
Private Perspectives: Should I Stay or Should I Go?



Mishcon de Reya

It's business. But it's personal.

Welcome.

Mishcon de Reya

What we will be covering

	Come	Stay	Go
Residential Property	• Market Trends • Buying • Renting • Stamp Duty Land Tax		• Selling
Immigration	• Current immigration policy • Available UK visa categories • Wider objectives	• Residence Requirements • British citizenship • Rights of EU citizens in the post-Brexit landscape	• Renouncing British citizenship • International relocation
Tax	• Tax residence • Tax exposure	Tax planning	• Non-residence • Tax exposure

Case Study

— Jo is originally from New Zealand, over 35 and is currently living there.
— Jo has two minor children, Arlo and Pax.
— Jo has never been a UK tax resident before.
— Jo owns a holiday home in Monaco.
— Jo generates significant savings income internationally.
— Jo is considering moving to the UK in June 2025.

Coming to the UK

Coming to the UK: Residential Property

— **Prime and Super Prime Property Market Trends:** What are we seeing?
— **Factors Influencing Trends:** Economic, Social and Political
— **Buying:** Tips
— **Stamp Duty Land Tax**
— **Renting:** Tenancy types and Renters' Rights Bill

Coming to the UK: Residential Property

What are we seeing in the Prime & Super Prime Property Market?

- Increase in transactions at the £1m - £3m end of the market
- Increase in transactions at the £5m + plus market
- Some HNW and UNHW clients reassessing their future in the UK
- Previously cautious buyers and sellers who held off investing in or selling property now proceeding
- A high number of US buyers
- The PCL ‘Bubble’ means London is still appealing
- Off market deals
- Strong buying power in the Super Prime Market (£10m +) particularly from Middle Eastern buyers
- Reduction in buyers from the Far East

Coming to the UK: Residential Property

Factors Influencing Market Trends

— **Economic Factors:** Interest rates, inflation and economic growth

— **Social Factors:** Reversal of lockdown migration to rural areas?

— **Political Factors:** Tax changes, changes in Government, geopolitical conflict

Coming to the UK: Residential Property

- **Tips for purchasing residential property in the Prime and Super Prime Markets**

  - **Instruct a reputable buying agent:** the best properties are often sold off market (high profile HNW & UHNW individuals will want privacy/security)
  - **Instruct a solicitor early:** Strengthens position when offering on properties and enables client onboarding/KYC checks to be carried out.
  - **Financing & Structuring/Tax Advice:** Get your ducks in a row

Coming to the UK: Residential Property

- **Stamp Duty Land Tax (“SDLT”) Rates depend on whether the Buyer:**

— **Is UK or non-UK resident (SDLT residency test):**

  — Higher SDLT rates for non-residents
  — Nationality, citizenship or residence status are not relevant for this purpose.
  — Generally, you must be in the UK for at least 183 days in the 364 days prior to the purchase to be considered UK resident for SDLT purposes.
  — If you are non-resident at the time of purchase but become resident for 183 days in the 364-day period after the purchase, you may be entitled to reclaim the non-UK resident surcharge.

— **Is an individual or a company:** Different rates apply

- **Owns (or a spouse owns) any other residential property anywhere else in the world:** Higher Rate for Additional Dwellings applies if purchasing an additional residential property(unless the transaction meets the replacement of main residence test)

Coming to the UK: Residential Property

Renting in the UK:

— **Assured Shorthold Tenancies**

— **Common Law Tenancies**

— **Renters' Rights Bill**

Coming to the UK: Residential Property

- **Assured Shorthold Tenancies**

  — Individuals
  — Annual rent < £100,000
  — Governed by the Housing Act 1988
  — Limited security of tenure
  — Rent control
  — Protected deposits

Coming to the UK: Residential Property

Common Law Tenancies

— Annual rent > £100,000, company lets, live in landlords
— Not governed by statute, governed by terms of contract
— No statutory rent controls
— Deposits not protected

Coming to the UK: Residential Property

Renters' Rights Bill

- Currently undergoing parliamentary process and expected to take effect later this year

— Section 21 / no fault evictions 'abolished'

— Rolling tenancies

— Grounds for termination

— Applies to Assured Shorthold Tenancies, not Common Law Tenancies

Coming to the UK: Immigration

— **Current immigration policy:** skill and talent over investment

— **Visa options**: family- based, work, study or business establishment

  — UK ancestry, family member of a British citizen, HPI visa
  — Skilled worker or UK Expansion Worker
  — Global Talent or Global Promise
  — Innovator Founder
  — Student or Parent of a Child Student

— Consider dependants (sole responsibility) and long-term goals (permanent residence or citizenship) at the outset

Coming to the UK: Tax

- **Tax residence**
  - Tested under the **“Statutory Residence Test” (SRT)**, according to days in, and ties to, the UK
  - Tax resident from 6 April of the relevant tax year, unless “Split Year” treatment applies.
  - No change to the SRT from 6 April 2025.

Coming to the UK: Tax

— Tax exposure: Income Tax and Capital Gains Tax (CGT)

- **Default**: UK tax residents are subject to UK income tax (at up to 45%) and CGT (at up to 24%, or 32% on carried interest) on worldwide income and gains as they arise.
- From 6 April 2025, no more “Remittance Basis”.
- Instead:
  - **“Foreign Income and Gains (FIG) Regime”**: If non-UK tax resident for the last 10 tax years, you can elect to pay no UK income tax or CGT on FIG for your first 4 tax years as a UK tax resident.
  - **“Overseas Workday Relief” (OWR):** FIG-qualifying individuals can elect to pay no UK income tax on remuneration attributed to non-UK work for their first four years tax years as a UK tax resident, capped at the lower of 30% of that remuneration and £300,000.
- If a settlor of an offshore trust is an “LTR” (next slide), the settlor may be subject to additional tax.

Coming to the UK: Tax

- **Tax exposure: Inheritance Tax (IHT)**
  - From 6 April 2025, no more "domicile" concept (except for tax treaties).
  - Instead:
    - **"Long-Term Residents" (LTR):** You become an LTR once you have been UK tax resident for at least 10 of the previous 20 tax years. Once you become an LTR, you remain an LTR for IHT purposes for up to 10 more years after leaving as a non-resident (the so-called IHT "tail").
    - LTRs will be subject to IHT on their worldwide assets.
    - Non-LTRs only pay IHT on UK assets and indirect holdings in UK residential property.
    - As before, spousal relief is available, with a limit for LTR to non-LTR inheritances.
  - From April 2026, "Business Property Relief" and "Agricultural Property Relief" will be restricted.
  - If a settlor of an offshore trust is an LTR, the settlor and trustees may be subject to additional IHT.

Coming to the UK: Tax

— **Tax exposure: Double Tax Treaty (DTT) Protection**

- Any applicable double tax treaties may mitigate the UK tax exposure:
  - For dual tax residents;
  - Where income/gains/assets taxed in both jurisdictions; and
  - In respect of affected trust income/gains/assets.
- There are many DTTs with the UK in respect of income and gains, but fewer in respect of IHT.
- IHT/Estate treaties will continue to apply based on the concept of “domicile” and “deemed domicile”.

Should you stay?

Staying in the UK: Immigration

— **Residence requirement for permanent residence**
    — over 180 days a year for at least five years in most categories

— **British Citizenship**

— **Changing policies**
    — Changing immigration requirements (Start-up to Innovator Founder)
    — Difficulty to foresee future changes in the immigration categories
    — Stricter requirements for sponsoring companies and applicants

Staying in the UK: Tax

— **Tax planning: Income Tax and CGT**

  — **Rebasing:** If you were not deemed domiciled on or before 5 April 2025 and previously claimed the remittance basis, you can rebase disposals of qualifying non-UK assets to their 5 April 2017 value.
  — **“Temporary Repatriation Facility” (TRF):** If you previously claimed the remittance basis, you can opt to remit pre-6 April 2025 unremitted FIG at a reduced tax rate (12% for tax year 2025/26 and 2026/27 and 15% for 2027/28, compared to 45% and 24%), provided you “designate” the amounts to be remitted in advance and open a new “TRF Account” for those funds. The TRF tax is paid in advance, regardless of whether the designated FIG is remitted. Utilise an accountant!
  — “Protected Trust” status is no longer available for offshore settlor-interested trusts, so those settlors will be taxed on trust income and gains as they arise.
  — Consider DTT relief.
  — Consider claiming remittance basis before 6 April 2025 and delaying disposals to after 5 April 2025.

Staying in the UK: Tax

— **Tax planning: Inheritance tax**

- — LTR status will need to be tracked to check IHT exposure, even after leaving the UK.
- — “Excluded Property Trust” status is no longer available for settlor-interested trusts, so trustees must also track the LTR status of settlors.
- — Consider DTT relief.
- — Consider lifetime gifts, tax efficient Wills and amending trusts.

Should you go?

Leaving the UK: Residential Property

Tips when selling residential property

- **Instruct a reputable estate agent**
- **Instruct a solicitor early:** prepare a full contract pack – be ready to ‘hit the ground running’ once a sale is agreed.

Leaving the UK: Immigration

— **Impact on existing UK status**

— **Renunciation of British citizenship**

— **Consider relocation options in light of fiscal, cultural and personal objectives**

  — USA
  — Europe residencies
  — Asia
  — UAE
  — Republic of Ireland
  — Cayman Islands and others

Leaving the UK: Tax

- **Non-tax residence:** Tax resident until 5 April, unless “Split Year” treatment applies.

- **Tax exposure:**

  - Non-UK tax residents are taxed as follows:
    - No UK income tax on non-UK source income, nor UK “disregarded income”.
    - No CGT on any gains, other than UK property or “property rich” entities.
    - If you are an LTR, your worldwide assets will remain subject to IHT until you lose your LTR “tail”.
    - If you are an LTR settlor of any settlor-interested trusts, the trustees may have to pay up to 6% IHT “exit charge” once you lose your tail, so keep them notified of your tax residence.
  - Remember to consider double tax treaties.

Questions?

Meet The Team

Elnara Ismagilova
Managing Associate
Mishcon de Reya LLP

T +44 20 3321 6029
E elnara.ismagilova@mishcon.com

Fiona Callaghan
Managing Associate
Mishcon de Reya LLP

T +44 20 3321 6906
E fiona.callaghan@mishcon.com

Nicola Simmons
Managing Associate
Solicitor and Chartered Tax Adviser (CTA)
Mishcon de Reya LLP

T +44 20 3321 6005
E nicola.simmons@mishcon.com

Thank you.

Mishcon de Reya