

DOMICILE AND RESIDENCE

Domicile, ordinary residence and residence are the main determinants of liability to UK tax. The issues are complex and the rules are under review.

- Basically a person's **domicile** is the country that the individual regards as his or her natural home. Each person has only one domicile which is normally, but not always the country of birth; it can be changed, usually with some difficulty.
- **Ordinary residence** is the country where a person normally lives or makes habitual visits, ie visits of three months or more a year over four consecutive years.
- **Residence** in the UK is normally established by someone who visits the UK for at least six months in any one tax year, or three months a year over four consecutive years.

NON-UK INCOME

- UK residents pay tax under Sch D Cases IV and V on income from overseas trades, professions, property and investments. Income is calculated similarly to UK income. UK residents who are non-UK domiciled or are UK or Eire citizens not ordinarily resident in the UK, pay tax only on income brought into the UK (remittance basis).
- Employees who are UK resident and ordinarily resident pay tax under the earnings rules on their remuneration wherever the duties of their employment are carried out. Employees who are not ordinarily resident in the UK, and UK resident non-domiciled employees working wholly abroad for a non-resident employer, pay tax on their overseas remuneration on the remittance basis.
- Non-UK residents are not normally liable to UK tax on overseas income.

Non-UK residents generally pay tax on their UK income. Tax may be deducted at source from property income. Only certain non-residents are entitled to personal allowances. They include all Commonwealth citizens, all nationals of European Union states, Norway, Iceland and Liechtenstein and all residents of the Channel Islands and Isle of Man. The UK income tax liability of a non-resident is subject to an upper limit. The calculation is complex but the broad effect is that no tax is charged on UK bank and building society interest and state pensions paid to non-residents provided they do not claim any personal allowances.