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Cheddar , Emmental or Gorgonzola - a veritable cheese board of opportunity.

UKRND - are you missing out ?

It is estimated that in 2017, over £2 bn of business was written by the offshore life companies from the UK Resident Non-Domiciled market.

The majority of that business was concluded by the directly intermediating insurers, passporting under Freedom of Services to the UK. Potential cases have been introduced to them from banks and professionals in the offshore banking centres, mainly Switzerland and Luxembourg. That is logical of course, as by definition, non-doms do not hold their assets in the UK.

The proportion of business from the independent intermediary market was surprisingly low. However, IDD may well change how such business is written in the future. We have already seen a number of UK & European based intermediaries looking at this market, utilising their professional connections in the UK and abroad. With the potential loss of Freedom of Services post Brexit, there may be further complications in advising UK residents from abroad. FCA regulation will become invaluable to enable a client to receive future advice.

There will be another batch of resident non-domiciled individuals who will become domiciled under the new rules in April 2019. The need for advice is established. Single premium life assurance policies can provide a simple and effective solution.

This is a specialised market, but it is substantial with large average case sizes. The key to the market is to find the 'gatekeeper' of an individual's wealth. That could be the lawyer, tax advisor, family office, bank or asset manager.

A quick summary of the potential advantages of using offshore policies for UK Resident Non-Domiciled Individuals

1) Tax Deferred Growth
2) Future separation of clean capital
3) 5% tax deferred withdrawals on clean capital
4) Use within an Excluded Property Trust
5) Investment in UK assets
6) Simplified reporting
7) Managing the remittance-based charge
8) Future portability

Cleansing mixed funds up to April 2019 - a time-based opportunity

HMRC has introduced a temporary opportunity for UK resident non-domiciled clients to cleanse their offshore accounts. Where accounts had not separated out capital, income and gains, these are termed 'mixed funds'. They could have substantial tax consequences.

Many UK Resident Non-Domiciled clients can find themselves unwittingly having mixed funds. That is because few offshore institutions correctly understood how to separate income, capital and gains within accounts.

Mixed funds are not a problem if you are never going to bring money into the UK, but if you do, the remittance will be matched firstly against income, then gains and lastly capital.

So for example, you tried to use the 5% tax deferred allowance from an insurance policy which has mixed funds. It would not be automatically tax deferred and would follow the complex rules of matching.

Where only clean capital has been used to subscribe to a policy, the 5% tax deferred rules would apply.

An individual must be able to identify the constituent parts of offshore accounts, which is often not easy. There are a number of specialists who can offer clients help and who could also be a source of valuable referrals.

Are the Italians pinching UK Res Non Doms ?

Italy responded to the changes to the non-domiciled tax regime in the UK by bringing in their own attractive new regime for non-doms. Will it attract people from the UK to Italy? Only time will tell.

Coupled with Brexit, there are many questions being asked on residence and many wealthy retiring Brits looking to move to the continent. Such tax regimes may prove to be attractive to them. Uncertainty always creates opportunity and Brexit has also focused the minds of some people to look away from the UK.

It is estimated that the flight of non-doms from the UK could cost the Exchequer over £6bn a year in revenue. It is understandable that other European countries may like a slice of that revenue.

In 2017, Italy introduced a flat tax scheme for income earned abroad which may prove very attractive. To qualify for the scheme an individual must not have been resident in Italy for at least 9 of the last 10 tax years, before the scheme was introduced.

An individual must apply to the Italian Revenue Agency for the 'substitute tax' to apply. The flat tax rate is set at €100,000 for each year the substitute tax applies with an extension available to family members who will pay €25,000 each.

The scheme runs for a maximum of 15 years.

For an Italian resident individual who opts for the substitute tax, it is possible to request that an insurer, who provides an Italian compliant solution, does not apply the withholding tax that would normally be applicable.

Italy also has other factors in its taxation system that may prove attractive. It has one of the lowest levels of gift and inheritance tax in Europe and exemptions on capital gains for certain real estate and art assets.

Combining the new regime with the fiscal advantages of an Italian compliant life insurance could be very effective.

About us

Octium Life specialises in providing compliant solutions to the UK, Italian, Turkish and Spanish markets. We only work with intermediaries, to provide the most appropriate solutions. We have country specialists for each of our markets.

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