

Subject to what the final legislation will say points of interest to note are as follows:

1. **Capital Gains Tax** - HMRC has used the opportunity created by the press controversy in relation to private equity funds to simplify (and probably increase the yield on) capital gains tax by abolition of:

- a) Taper relief
- b) Indexation
- c) The option to chose actual cost rather than 1982 market value.

The quid pro quo is a standard 18% rate on capital gains. The situation regarding companies is not entirely clear from the press release but it looks like companies will be charged corporation tax rate on their full capital gains without the benefit of the previous reductions available.

2. **Inheritance Tax** - The changes appear to be mostly smoke and mirrors. A big fuss has been made but when you study the changes carefully, it would make very little difference to anyone who has had tax planning advice.

3. **Non-domiciled UK residents** – The current position for these individuals is that they are only taxed on their foreign income and gains if they are remitted to the UK. From April 2008 this will still apply to individuals who have been UK resident for less than seven years. However for those who have been UK resident for more than seven years, they will be treated the same a domiciled individuals and taxed on their worldwide earnings unless they pay additional tax of £30,000 per annum. The government have not proposed a limit to the amount that can be remitted, however under this option personal allowances would not be available.

From the press release (and in absence of draft legislation) it would appear the HMRC has produced a somewhat cynical version of the HNWI rules of Gibraltar and other finance centres.

Hassans cannot quite see the logic of this as it would involve a reduction in liability for very wealthy non - domiciles and effectively a reduction in tax for some high profile figures and, as such we await the draft legislation to see if they really mean it.

4. **Trusts** - There are storm warnings in that there are references to amendments to the legislation to deny the benefits of trusts to non-domiciled UK residents. However no detail is given on this at all and presumably it is a work in progress and we will not know what the damage is until the legislation is published

5. **Residence** - From 6 April 2008 the days of arrival and departure will be counted as days of presence in the UK for residence test purposes (e.g. 90 day rule). This implies that HMRC at long last will be converting into legislation something which has been one of their practices for decades. This should lead to total clarity in respect of this particular residence issue.