These notes refer to the Finance Act 2015 (c.11)
which received Royal Assent on 26 March 2015

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 24: Increased Remittance Basis Charge

Summary

1. This section introduces changes to the remittance basis charge payable by individuals who are resident, but not domiciled, in the UK. It introduces a new remittance basis charge of £90,000 payable by individuals who claim the remittance basis of taxation and who have met the "17-year residence test". It also increases from £50,000 to £60,000 the remittance basis charge payable by individuals who claim the remittance basis of taxation and who have met the "12-year residence test". The changes will apply from the start of the 2015-16 tax year.

Details of the Section

2. Subsection (2) amends the existing section 809C of the Income Tax Act 2007 (ITA).

3. Paragraphs (a) to (d) of subsection (2) define the 17-year residence test (the individual has been resident in the UK in at least 17 of the 20 tax years preceding the tax year in which they claim the remittance basis) and ensure that if it applies then neither the 12-year residence test nor the 7-year residence test will apply.

4. Paragraph (e) of subsection (2) provides that the maximum relevant tax increase will be:
   - for the 17-year residence test, £90,000; and,
   - for the 12-year residence test, £60,000.

5. Subsection (3) amends section 809H of ITA. It provides that an individual claiming the remittance basis will be liable to pay:
   - an annual charge of £90,000 for any tax year in which they meet the 17-year residence test; and,
   - an annual charge of £60,000 for any tax year in which they meet the 12-year residence test, but not the 17-year test.

6. Subsection (4) provides that the section has effect from the start of the 2015-16 tax year.

Background Note

7. The remittance basis is an alternative basis of taxation which applies to foreign income and capital gains. It is available to UK resident individuals who are not domiciled in the UK. Such individuals have the option of electing to be taxed on the remittance basis. Those who do so are liable to UK tax on all their income and capital gains which arise in the UK, but only liable to UK tax on their foreign income and capital gains to the extent that they are remitted to the UK.

8. The remittance basis rules were revised in Finance Act 2008 to introduce an annual remittance basis charge of £30,000 for those who met what is now the 7-year residence test (the individual has been resident in the UK in at least 7 of the 9 tax years preceding the tax year in which they claim the remittance basis). Finance Act 2012 introduced a higher annual charge of £50,000 payable by individuals who met the 12-year residence test (the individual has been resident in the UK in at least 12 of the 14 tax years preceding the tax year in which they claim the remittance basis).

9. The remittance basis charge ensures that non-domiciled but UK-resident individuals pay a fair tax contribution. The government is increasing the charge for individuals who meet the 12-year residence test and introducing a new higher charge for individuals who meet the new 17-year residence test.