

Guernsey Trusts for UK resident non-doms

Act now to protect your clients non-UK assets from the UK inheritance tax (IHT) net.

The Spring Budget 2024 brought a shock announcement that the current remittance basis of tax for non-UK domiciliaries will come to an end on 6 April 2025.

However, IHT exemptions currently afforded to UK resident non-doms on non-UK situs assets can still be protected.

What was announced about Inheritance Tax (IHT)?

- From 6 April 2025 the government intends to move inheritance tax from a domicile-based regime to a residence-based regime. This will be subject to consultation.
- **It appears, however, that there is an important window until 5 April 2025 during which a non-domiciled individual may settle non-UK assets into trust and benefit from indefinite IHT protection as under the current Protected Trusts regime.** (This again is subject to consultation, but it appears the Gifts with Reservation (GWR) exemption will continue to apply to excluded property within such settlor-interest trusts. The exemptions are unlikely to apply to returning “Formerly Domiciled Residents”, as at present.)

Current IHT rules for assets held in Trust.

- UK assets settled by a non-dom settlor are subject to IHT.
- Non-UK assets settled by a non-dom settlor are ‘excluded property’ and are not subject to IHT unless it is an interest in a foreign entity that owns UK property, or where the settlor is a formerly domiciled resident in the year the IHT chargeable event arises.

The position from 6 April 2025 for assets held in Trust.

- UK situs assets will remain in charge on the same basis as at present, regardless of residence.
- **Non-UK assets that were settled by a non-UK domiciled settlor and became comprised in a settlement prior to 6 April 2025 will not change.**
 - Provided the assets continue to meet the legislative requirements to be excluded property under current legislation, there will be no IHT charges.
 - Excluded property will not be brought into charge on the settlors’ death even if the settlor retains a benefit in the trust assets.

What should your clients be doing?

An opportunity remains until 6 April 2025 for your (non-dom) clients to settle non-UK situs assets into a non-UK trust to maintain the current IHT exemption afforded to such structures/assets.

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Why choose Verfides?

- Verfides has been established as a Trust and Corporate Services provider for over 50 years.
- Verfides have a team of Trust specialists with a wealth of experience managing structures for UK resident (and non-resident) individuals.
- Verfides have a team of Tax specialists who understand the complexities of the UK tax legislation for trusts, private clients and companies.
- Verfides is privately owned and puts client care at the forefront of our business.
- Verfides is a fully regulated Trust and Corporate Services provider in Guernsey, registered with the Guernsey Financial Services Commission. Verfides can also offer Trust services in several other jurisdictions, including Ireland and Cyprus.

Next Steps

If you would like to explore the settlement of a new Guernsey Trust for your clients non-UK situs assets, please contact Terence Pay, Tax Partner, or Adam Thompson, Tax Director, on +44 (0)207 930 7111 or e-mail us at tax_team@verfides.com. Alternatively, contact our Guernsey office direct on +44 (0)1481 738774 or e-mail us at guernsey@verfides.com

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