



Providing specialist trust and fund services



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DECEMBER 2011

TAX UPDATE: UNITED KINGDOM, IRELAND, MADEIRA

In the Autumn season a number of announcements have been made which are of interest. We have highlighted a number of these in the article below.

United Kingdom

Res non dom charge

In terms of a consultation document it has been proposed that the remittance charge be increased to £50,000 per annum for those resident in the UK for 12 of the last 14 years. It is anticipated that the charge would work in a similar manner to the current £30 000 charge.

Investment into qualifying businesses

A welcome proposed change is that res non-domiciled individuals will be able to remit income to the UK without triggering a tax charge provided the investment is into a "qualifying business". Broadly speaking this would include the following:

- Trading businesses; or
- Developers or lessors of commercial property;
- It would not however, include the letting of residential property.

It is proposed that the investment be made directly into a UK company or via an offshore company with a UK permanent establishment.

It is further proposed that on the sale of the investment, the proceeds must be taken out of the UK to avoid a tax charge.

Ireland

In a statement by the Minister of Finance on December 6th, it was announced that Ireland is committed to maintaining its 12.5% tax rate. Given the current negotiations in Europe this is an important message.

The Minister also announced the introduction of a Foreign Earnings Deduction to promote trade with BRICS countries. It is not exactly clear how this will work in practice but will require active marketing to boost trade with the relevant countries by individuals spending time in those countries.



MADEIRA

The Portuguese budget of 30th November appears to have taken a step backward in reducing the attractiveness of Madeira as an interesting enclave. As of 1 January 2012 the budget eliminates the withholding tax exemption in respect of dividends and interest. Normal Portuguese withholding tax of 21,5% will now apply unless there is treaty relief or reliance can be placed on the European parent subsidiary directive. Where payment is made to a country on the black list a rate of 30% will apply.

Relatively simple planning would appear available to plan for this change, so it seems a pity that this has been introduced as it simply introduces a further layer of costs and effort.

Key Contact:

If you require advice or assistance in regard to any of the matters raised in this article, please contact your usual contact or

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