

2.2 General Taxation of UK Individuals with Foreign Assets

The UK principles of taxation of individuals are different from the common systems in central Europe, in particular the principles of residence and domiciliation.¹³¹ The UK tax system is built on two tiers. Central government revenues are collected by Her Majesty's Revenue and Customs (HMRC) and consist of income tax, corporation tax, value added tax, National Insurance contributions and fuel duty. The second level is the local government, which covers grants from central government funds, Council taxes, business rates and on-street parking.¹³²

2.2.1 Residence and Domicile

Income from UK sources is taxed in the United Kingdom irrespective of citizenship, place of residence or company location. However, if an individual is not (ordinarily) resident in the UK, the tax is limited to the tax deducted at source.¹³³ An individual with residence and domiciliation in the UK is furthermore subject to taxation on their worldwide income and gains. An individual, who, in contrast, is only resident but not domiciled in the UK (so called "Non-Dom"), may claim to be taxed on his foreign income and gains on a remittance basis.¹³⁴

Since 2008, non-dom individuals resident in UK for seven years over the last nine years have to pay a levy of GBP 30,000 to claim the remittance basis.¹³⁵ Individuals who are not resident in the UK for three years in a row are not liable for taxation of their worldwide income and individuals with less than five years of residence in the UK are not liable for taxation on their worldwide capital gains in the UK. To clarify, everybody who stays in the UK for more than 183 days per year is seen as a resident. In short, an individual is domiciled in the UK if the UK is his permanent home or if he was born in the UK, and someone is not domiciled if he lives outside UK or was born abroad.¹³⁶

2.2.2 Income and Capital Gains Tax

Income tax is the largest source of tax receipts in the UK. Taxable income includes earnings from employment or self-employment, pensions, interest on savings, dividends rental income and also in-

¹³¹ Picciotto, 1992, p. 4-9.

¹³² Adam, Browne & Heady, 2010, p. 1-4.

¹³³ Kessler, 2012, p. 29-156.

¹³⁴ Lyk, 2007, p. 64 & 65.

¹³⁵ HMRC, 2012 (1).

¹³⁶ Lyk, 2007, p. 64 & 65.