

# Domicile and Inheritance Tax



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**Domicile is a complex concept of general law. Broadly speaking, you are domiciled in the country where you have your permanent home. Every person has one and only one at any given time.**

There are three types of domicile:

- Domicile of origin.
- Domicile of dependence.
- Domicile of choice.

References to someone who is UK domiciled, means that they are domiciled in either England and Wales, Scotland or Northern Ireland.

## Domicile of origin

This is the domicile that you acquire at birth.

Normally, this would be the domicile of your father (see domicile of dependence). It would be the country in which your father was domiciled and not the country in which you were born.

For example, you were born in England to a non-UK domiciled father, who was domiciled in America. You would acquire an American domicile.

If you were subsequently adopted by a Scottish domiciled father, your domicile would change to Scotland.

It is possible to choose to change your domicile (see domicile of choice), however if you abandon your domicile of choice without choosing another, then the domicile of origin will be revived.

## Domicile of dependence

For children until they reach the age of 16 (or marry under the age of 16) their domicile will follow that of the person on whom they are legally dependent.

For an illegitimate child, it is their mother's domicile, and for a legitimate child it is that of their father's, unless the parents are living apart and the child's home is with the mother and not with the father and at no time has a home with the father.

Before 1 January 1974, a married woman automatically acquired her husband's domicile. For a married woman, who married before 1974, she would still retain her husband's domicile unless she obtained a domicile of choice.

For those women who married on or after 1 January 1974, their domicile remains unaltered by their marriage.

## Domicile of choice

From the age of 16 you can acquire a domicile of choice to replace your domicile of origin.

To do this you must settle in another country with the intention to remain permanently or indefinitely.

# Domicile and Inheritance Tax

The Revenue will consider the following factors (this list is not exhaustive):

- Your intentions.
- Your permanent residence.
- Your business interests.
- Your social and family interests.
- Your ownership of property.
- Your Will.

## Inheritance Tax

Another important concept is one of deemed domicile. Even if you are not domiciled in the UK under general law, the Revenue will treat you as domiciled in the UK for inheritance tax (“IHT”) if at the date of your death:

- You were domiciled in the UK within the three years immediately before death, or
- You were resident in the UK for income tax purposes for at least 15 out of the last 20 years ending with the year in which you died.

If you were born in the UK with a domicile of origin but acquire a domicile of choice elsewhere, you will be deemed domiciled in the UK for all tax purposes once you have been a UK resident for at least one of the last two years.

If you are domiciled or deemed domiciled in the UK, then IHT applies to your worldwide assets.

If you are not domiciled or deemed domiciled in the UK, then IHT applies only to your UK assets.

Where assets pass from a UK domiciled spouse/civil partner to a non-UK domiciled spouse/civil partner, the spouse exemption is limited to Nil Rate Band, £325,000 (2018/19) (in addition to any available nil rate band).

## How can Greenwoods GRM help?

The Private Client Team is widely experienced in advising individuals on domicile matters and can offer practical and reliable advice.

**Contact +44 (0)1733 887665 and ask to speak to a member of our Private Client Team.**

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