THE CHANGING UK LANDSCAPE FOR NON-DOMS

WHY MAURITIUS IS BECOMING AN ATTRACTIVE ALTERNATIVE

The United Kingdom's Resident Non-Domiciled (Non-Dom) regime has long provided a tax-efficient solution for wealthy individuals with foreign ties. Non-Doms are residents of the UK but are considered to have their permanent home, or "domicile," in another country. This status allows them to avoid paying UK tax on foreign income and gains, provided those assets are not remitted (brought) into the UK. However, as the UK government continues to reform its tax policies, including potential changes to the Non-Dom regime, managing global wealth from the UK may become increasingly challenging. This evolving landscape has prompted many affluent individuals to explore other jurisdictions, and Mauritius is emerging as an attractive alternative for Non-Dom residents.

Understanding the UK Non-Dom Regime

The Resident Non-Domiciled (Non-Dom) regime in the UK allows individuals who are residents but not domiciled in the UK to enjoy favorable tax treatment. Non-Doms are only taxed on their UK income and capital gains; their foreign income and gains are taxed only if they are remitted to the UK. This "remittance basis" of taxation has made the UK an appealing destination for global investors, business owners, and wealthy individuals who want to reside in the country while keeping their international income largely tax-free.

However, the status of Non-Doms in the UK is not permanent. After 15 years of continuous UK residency, Non-Doms automatically become UK-domiciled for tax purposes, meaning they are liable for tax on their worldwide income and gains.

Additionally, the UK government has periodically reviewed and reformed the regime, increasing costs and complexities for Non-Doms. The system has also been scrutinized for providing tax breaks to the wealthy at a time when governments are looking for additional revenue.

Why Managing Global Wealth is Becoming More Challenging

Recent and ongoing reforms to the Non-Dom regime suggest that the favorable conditions Non-Doms have enjoyed may not remain intact. Changes under consideration, as well as public pressure to further limit tax breaks for the wealthy, are making wealth management more difficult for Non-Doms.

Several factors are contributing to this challenge:

- Increased Tax Burden: The remittance basis comes with fees that increase the longer a Non-Dom remains in the UK. For instance, after seven years of UK residency, Non-Doms must pay an annual fee to maintain the remittance basis, and this fee increases significantly after 12 years.
- Domicile Reform: In 2017, the UK introduced significant reforms to its Non-Dom rules. These included treating long-term residents (those who have lived in the UK for at least 15 of the last 20 years) as domiciled in the UK for tax purposes, which removes the tax advantages associated with being a Non-Dom.
- Political Pressure: Public opinion in the UK is increasingly critical of tax avoidance schemes that benefit the wealthy, and there is rising political will to close loopholes. The ongoing discussions around abolishing or severely limiting the Non-Dom regime suggest further tightening of rules may be on the horizon.
- Complexity of Compliance: The increasing complexity of tax laws and the administrative burden of managing multiple tax jurisdictions make it difficult for Non-Doms to maintain their tax-efficient status. Compliance costs are rising, and the risk of making errors in tax declarations can lead to penalties.

Why Mauritius is an Attractive Alternative

As the UK government tightens its tax policies, wealthy individuals and families are looking for alternative jurisdictions that offer more favorable tax regimes and greater flexibility in managing global wealth. Mauritius, a small island nation in the Indian Ocean, has positioned itself as a highly attractive destination for global investors, offering a robust legal and regulatory framework, political stability, and an appealing tax regime.

Here's why Mauritius is drawing attention from UK Non-Doms:

- Tax Efficiency: Mauritius has one of the most favorable tax systems in the world. It operates a flat corporate tax rate of 15%, and the personal income tax rate is also 15%. There is no capital gains tax, inheritance tax, or wealth tax, making it an ideal jurisdiction for wealth preservation.
- Double Taxation Treaties: Mauritius has a wide network of double taxation agreements (DTAs) with more than 40 countries, including the UK. These treaties help to prevent the same income from being taxed twice, offering a layer of protection and making it easier for individuals to manage their global wealth efficiently.
- Political and Economic Stability: Mauritius has a reputation for political and economic stability, providing a secure environment for individuals looking to relocate. The government has invested heavily in creating a business-friendly environment, which includes modern infrastructure, advanced financial services, and a transparent legal framework based on English common law.

- Residency by Investment Programs: Mauritius offers residency by investment schemes, allowing individuals to gain residency by purchasing property or making a significant investment in the country.
- The ease of obtaining residency combined with the tax benefits makes it an appealing option for Non-Doms looking to relocate.
- Strategic Location: Situated between Africa and Asia, Mauritius is strategically located for individuals who manage business interests or investments across multiple continents. The country's time zone also overlaps well with European and Asian markets, making it convenient for global business operations.
- Lifestyle Benefits: Mauritius offers a high standard of living with access to luxury real estate, healthcare, education, and leisure. The island's tropical climate and natural beauty are additional lifestyle benefits that appeal to those considering a change from the UK.

The UK's Non-Dom regime has historically been a magnet for wealthy individuals seeking to manage their global wealth efficiently while residing in the country. However, as the UK government continues to reform the regime and raise the tax burden on Non-Doms, managing international wealth from the UK is becoming increasingly complex and expensive.

Mauritius offers a compelling alternative, with its favorable tax regime, political stability, and strategic location. For UK Non-Doms facing rising costs and increasing regulatory scrutiny, relocating to Mauritius could provide both financial advantages and a more favorable environment for wealth management.

As global wealth trends evolve, Mauritius is likely to gain prominence as a hub for affluent individuals seeking to protect and grow their international assets while enjoying a high quality of life.

AAMIL for Your Transition to Mauritius

At AAMIL, we help both individuals and businesses relocate to Mauritius, offering tailored solutions to make the transition seamless. Our services include assistance with obtaining residency, tax structuring to take full advantage of Mauritius's favorable tax regime, and managing global assets and operations to ensure compliance and efficiency. We also provide trust and fiduciary services to protect your wealth and secure long-term succession planning. AAMIL is the ideal partner for navigating the complexities of relocation and wealth management in Mauritius.

by P.C

Contact us at

AAMIL (Mauritius) Ltd

Dhanveer TEELUCK dhanveerteeluck@aamil.com

Heman SEENAUTH hemanseenauth@aamil.com

AAMIL (Swiss) SA

Carmen ORREGO carmenorrego@aamil.com

Paul COMARMOND paulcomarmond@aamil.com