Other measures announced

Dormant accounts - reporting and tax liability

Rule changes will mean that banks and building societies will only have to pay over the 20% 'tax at source' and report the interest to HMRC when the customer reclaims their dormant account balance.

Similarly, the customer will only be liable for any further tax due on the interest on such accounts when they reclaim their balance.

National Disaster

In the event that taxpayers are adversely affected by events designated as national disasters, HMRC will waive interest and surcharges on tax paid late.

Tribunal reform

HMRC inherited two systems of tribunals when the former Inland Revenue and HM Customs & Excise merged.

These are to be simplified under powers to be introduced in the 2008 Finance Act.

Funds of Alternative Investment Funds (FAIFs)

Taxation on certain offshore income gains of FAIFs can, under proposed new rules, be shifted from the fund to the investors. Authorised investment funds will be able to elect for a new tax treatment, making it exempt from tax on offshore income gains, which will in turn be taxable on the investor on the disposal of units in the fund.

Non-domiciles and the remittance basis

As announced last year, new rules for longer-term resident individuals who are not domiciled in the UK (non-doms) will come into force with effect from 6 April 2008.

Key to the new rules is a choice for non-dom adults with overseas income and gains over £2,000 in a tax year. Essentially, they can opt to have income and gains of the year taxed on the remittance basis (ie taxed in the UK only as and when they are remitted) and pay £30,000 or they can be taxed for the year on their worldwide income and gains (plus any income or gains from a 'remittance basis' year remitted in the year). The £30,000 will be a payment in respect of tax on unremitted gains or income, allocable by the taxpayer, and available for credit when said gains or income is remitted (and should also be treated as such for relief under double taxation treaties with other taxing regimes).

Opting for the remittance basis will also mean that entitlement to the year's UK personal allowances and the CGT annual exemption is lost.

Also featuring are new definitions of remittances, catching money or gifts made outside the UK and brought in by a relative and also the import of assets bought outside the UK with untaxed income or gains. There are some exclusions, covering for example personal effects and assets brought temporarily to the UK, but perhaps most importantly the rules will not apply to assets bought out of untaxed foreign income and owned at 11 March 2008. These exclusions are in addition to the exclusion for works of art brought to the UK for public display, already announced.

These changes will also apply to anyone who has been able to opt for the remittance basis because, though UK resident, they are not ordinarily resident.

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New rules will apply from 6 April 2008 to give non-doms, including those opting to be taxed on the remittance basis, access to relief for capital losses when they are liable for tax on capital gains on the arising basis.

Employees who are resident but not ordinarily resident in the UK and receive shares or options as part of their remuneration will be liable for UK income tax on such employment-related securities (ERS). ERS gains derived from non-UK employment duties will be subject to income tax on the remittance basis. This will also apply to non-doms where the ERS income relates to a foreign employment, the duties of which are performed wholly outside the UK.

The rules bringing into UK tax the gains of offshore trusts have also been strengthened, with the effect that resident non-dom settlors will be taxed on gains on UK assets as they arise, while they and resident non-dom beneficiaries will be taxed on other gains as they are brought to the UK.

Trustees will be able to elect to rebase the CGT base cost of all assets to the 6 April 2008 value.

It is no longer possible to close a source and remit the income in the following tax year (closed source rule).

The rate on income tax chargeable on foreign dividend income remitted by individuals claiming the remittance basis will be corrected to 40% from 6 April 2008.

Day counting

It had been announced that in counting the number of days present in the UK for the residence tests it would be necessary from 6 April 2008 to include the days of arrival and departure. The Chancellor announced that the rule will be to count midnights spent in the UK as a day of presence in the UK, except where the midnight falls at a time when one is present in the UK in transit between two places outside the UK – 'days' spent in transit will not be counted unless the individual engages in activities that are to a substantial effect unrelated to their passage (for example, attending a business meeting).

National Minimum Wage to rise in October

The National Minimum Wage rates will increase in October 2008.

The main rate for adult workers will rise from £5.52 an hour to £5.73 an hour.

The development rate for 18-21 year olds will rise by 17p, from £4.60 to £4.77.

The rate for 16-17 year olds will rise by 13p, from £3.40 to £3.53.

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