
UK PERSONAL ALLOWANCES AND RELIEFS FOR NON-RESIDENT INDIVIDUALS

Who is likely to be affected?

1. Individuals who are not resident in the UK, but who claim UK personal allowances and reliefs as Commonwealth citizens.

General description of the measure

2. Individuals who are not resident in the UK normally have no entitlement to claim UK personal allowances and reliefs for income tax. There is a limited range of circumstances under which non-resident individuals may benefit from UK personal allowances and reliefs. This includes being a Commonwealth citizen. HM Revenue & Customs have been advised that this is not compliant with the Human Rights Act.
2. Legislation will therefore be introduced in Finance Bill 2009 to withdraw the entitlement for non-resident individuals who currently qualify for UK personal allowances and reliefs from income tax solely by virtue of being a Commonwealth citizen. The vast majority of individuals affected will still benefit through other means, for example Double Taxation Treaties.

Operative date

3. The legislation will have effect on and after 6 April 2010.

Current law and proposed revisions

4. Current legislation sets out a range of circumstances where individuals have a right to claim UK personal allowances and reliefs from income tax, despite being not resident in the UK. The individual may qualify as:
 - an EEA national;
 - a resident of the Channel Islands or the Isle of Man;
 - a person who has previously resided in the UK and is resident abroad for the sake of their own health or that of a member of their family who is resident with the individual;
 - a Crown servant;
 - a person employed in the service of any territory under Her Majesty's

- protection;
- a person employed in the service of a missionary society;
 - a person whose late spouse or late civil partner was employed in the service of the Crown; or
 - a Commonwealth citizen.
5. In addition, a number of the UK's Double Taxation Agreements (DTAs) with other countries also allow individuals not resident in the UK to claim UK personal allowances and reliefs.
6. Non-resident individuals will no longer qualify for reliefs and allowances including the basic and age-related personal allowances, married couples' allowance, blind person's allowance and relief for life assurance solely by virtue of being a Commonwealth citizen, although they may continue to qualify under the other conditions or through DTA provisions if applicable.
7. This change will mainly affect citizens of the following countries: Bahamas; Cameroon; Cook Islands; Dominica; Maldives; Mozambique; Nauru; Niue; St Lucia; St Vincent & the Grenadines; Samoa; Tanzania; Tonga; and Vanuatu.

Further advice

8. If you have any questions about these changes, please email offshorepersonal.taxteam@hmrc.gsi.gov.uk or telephone 020 7147 2762. Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk