

## Estate Planning

The solutions to your Estate Planning problems are out there but unless you get informed of your options, the tax man may very well benefit substantially from your death. Stop him in his tracks.

## Introduction

You may think that as an Expatriate, you have slipped through the net and that your Estate will be free of Inheritance Taxation liabilities. Well, unless you have taken certain steps already, this may very well **NOT** be the case.

## The Future

For many of us, planning for Education, Retirement, Illness and other related areas goes without saying.

Considering our own mortality, however, is not something we like to spend much time doing. Yet the fact of the matter is - it is unavoidable. And, just as death is not something we can escape from, 'death duty' is just as inevitable.

Having said that, there is specific action that you can take to protect your assets from the tax man. This guide aims to help you to understand what your Estate tax liabilities may be, and how best you can take action to avoid your family losing out to the tax collector.

## What is IHT?

IHT - or Inheritance Tax - is what the U.K. Government calls Death Duties; the U.S. Government prefers to refer to this tax as Estate Tax; and in France, Death Duties are called Estate and Gift Tax.

Whatever the name for this form of taxation, one thing is universally true: The further taxation at death of assets on which you have already paid your tax liability throughout life is, quite simply, absolutely unfair.



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## Automatic Expatriate Avoidance

If you believe that simply by moving away from your country of birth you can avoid Inheritance Tax, you may be very, very wrong. Depending on your circumstances at the present time, it may well be possible to reduce your Income and Capital Gains taxes. However, it is far more difficult to escape taxation of your Estate at death.

If you are British – but are no longer a U.K. resident - and you hold property in the U.K. and or abroad, at death the British tax man will be entitled to claim Inheritance Tax on your worldwide assets.

In addition if you are a British National who is deemed domicile in UK, (as most are), and you have married a non British domicile, the situation is even worse. On your death, IHT can be imposed on transfers to your widow.

Non British national, non domicile, please do not think you have escaped the net, as any assets held in UK WILL be liable to IHT on your death,

Your U.K. Inheritance Tax liabilities are not based on your country of residence. They are not based on the amount of time you have been out of the country. They are based on your domicile.

## Determining Domicile and Changing Domicile

Losing residency in your country of birth may be fairly easy to do. Leave that country for long enough and you'll lose your residency there.

Losing or changing your domicile, on the other hand, is quite another matter.

Your domicile will always revert to your country of birth, unless you take specific and direct action to change it.

Furthermore, if there are assets in the U.K., the U.K. tax man may be able to claim IHT on entire worldwide assets at the time of death.

Perhaps a good solution would be to change domicile before death. However, changing domicile is not easy to do, and it is not something that is generally actively encouraged.

For a British national to change his domicile, for example:

- He must leave the U.K. with the "intention never to return".
- He must acquire a new domicile - a "domicile of choice".
- He must then live in the new domicile, and show that it is his intention to live there, forever!
- You should indicate clearly you wish to be buried in a country other the UK
- You should write a will in your new country of domicile
- The new country of domicile must be a country where you can have the right of permanent abode, a working contract in The Middle East for three years will not suffice.

Even after achieving all the above living in a domicile of choice you can still be deemed to be U.K. domiciled for IHT purposes! For example, you continue to be deemed domiciled in the U.K. for the three years after you cease to be officially U.K. domiciled.

## What's Your Liability?

To determine the potential death duty liability on your Estate, a full and comprehensive financial review must be carried out. There are many areas that need to be considered, and professional advice is essential to make sure that you cover every potential aspect of the situation.

The fact that your loved ones will at least receive the remainder of your Estate after death duties is simply not good enough!

Do you want the tax man to benefit again from the hard work you put in through life? If not, then take positive action as soon as possible to determine your liabilities.

## What can You do to Reduce Your Liability?

There are a number of options open to you in life that will allow you to reduce the death tax burden due on your Estate. Determining what action should be taken and what's right in your personal circumstance will require professional advice – Financial and Taxation Advisers thoroughly understand the latest rules and liabilities, and can work with you personally to protect your assets and to protect your Estate.

Among the options and considerations that may be open and of interest to you:

- Gifts: The giving of assets as 'gifts'

during your lifetime can reduce liability at death. You have to be able to do without the asset gifted for the rest of your life, of course. In addition, you have to have made the gift a number of years before your death for it not to be counted as part of your Estate.

- Trusts: A trust is a legal entity that can be used effectively for Financial Planning and Estate Planning purposes – especially if it is established offshore. A trust can enable you to make long-term plans for the preservation and distribution of your wealth during or after your lifetime. If you transfer your assets into a trust, depending on the type of trust you choose, you can make certain that the management of your assets will continue in accordance with your specific wishes.
- Wills: Do not die intestate – that is, without a will. If you do not make a will and keep that will valid and up-to-date, your Estate will not necessarily be handled according to your wishes. As an Expatriate, you need to make sure that you have a will in the country in which you reside and governed by the laws of that country, as well as a will covering any assets you have back home. Furthermore, divorce or marriage can invalidate a will.

Getting to grips with the complexities of Estate Planning, protecting your loved ones, and preventing The Inland Revenue from becoming the largest beneficiary of your hard earned money will require professional advice.

You need to establish your liability and find the solutions to reduce and negate that liability.

## Get Informed

If you haven't started your Estate Planning, you need to act as soon as possible.

As an Expatriate, you are in a privileged position. Make the most of the options available to you while you can.

We can help you as an internationally focused independent Adviser who understands your circumstances and is best placed to advise you.

Contact us by e-mail or FAX using the form at the back of the guide.

**Good luck with your Estate Planning**

## Confidential Contact Form

Please print and fax it to: +(number)

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|--|----------------------|
| <b>Name</b>  | <input type="text"/> |
| <b>Email</b>   | <input type="text"/> |
| <b>Daytime Telephone Number</b><br>Including full international code | <input type="text"/> |
| <b>Home Telephone Number</b><br>Including full international code    | <input type="text"/> |
| <b>Mobile Telephone Number</b><br>Including full international code  | <input type="text"/> |

### Address

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| <b>Address Line 1</b>   | <input type="text"/> |
| <b>Address Line 2</b>   | <input type="text"/> |
| <b>Town or City</b>     | <input type="text"/> |
| <b>State or Country</b> | <input type="text"/> |
| <b>Country</b>          | <input type="text"/> |
| <b>ZIP/Post Code</b>    | <input type="text"/> |

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Please tick the appropriate box if you require specific product information

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