

Labour's non-dom press release

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I thought it worth sharing Labour's non-dom press release in full:

Ed Miliband will tomorrow (Wednesday) announce a new manifesto commitment for the next government: Labour will abolish the non-domicile rule through which some of the wealthiest people living in Britain avoid paying tax on much of their income.

He will declare that this system has become a symbol of a country which does not expect everyone to take responsibility or play by the same rules.

He will set out how:

- The “non-dom” rule allows some people to avoid tax even when they have been born, bred and brought up in the UK.**
- Others who have lived abroad and return here claim the status on the basis of little more than an overseas newspaper subscription, a burial plot and a foreign bank account.**
- This is now open to further abuse with non-doms able to use offshore trusts to buy expensive UK homes and avoid inheritance tax - or loan themselves money and then receive repayments tax free.**

He will explain how Labour will abolish the non-dom rule and ensure everyone who makes the UK their permanent home pays full UK tax on all their income and gains -

with the additional revenue generated used to reduce the deficit.

EXTRACTS — CHECK AGAINST DELIVERY

In a speech at the University of Warwick, Mr Miliband will say the failed idea of a few at the top being allowed to play by different rules is letting down working people and businesses who pay their taxes.

“We need government to help businesses succeed, large and small, by training all our young people, investing in skills and infrastructure, and keeping our place in a reformed European Union secure. But the correct belief in enterprise and wealth creation has become distorted into an idea that wealth only flows from a few at the top - and they are so important that they should be allowed to operate under different rules. It is an idea that says ‘anything goes’ for those at the top, that what is good for the very rich is always good for Britain. The problem is: it isn’t true. It is a recipe that doesn’t work for most working people, doesn’t work for business and doesn’t work for Britain.”

He will declare that Britain needs responsibility and fair rules throughout society — and that the Tories have failed on tax avoidance.

“There is no bigger symbol of this failure to expect everyone to play by fair rules in our country than the failure to deal with tax avoidance. Think about what we know now: the tax gap between the amount owed and the amount collected has gone up to £34 billion under this government; tax havens are continuing; the scandal at HSBC has been brought to the heart of government; the hedge funds are given the green light to avoid paying their fair share; HMRC seems to operate double-standards. It’s one law for a few, another law for everybody else. This means higher taxes for working people and businesses, as well as starving money from our public services. In a world of tough, difficult choices, we just can’t allow this to continue.”

He will say that the 200-year-old non-dom rule has become a symbol of the scandal of tax avoidance.

“There are people who live here in Britain like you and me, work here in Britain like you and me, are permanently settled here in Britain, like you and me, but aren’t required to pay taxes like you and me because they take advantage of what has become an increasingly arcane 200-year-old loophole. There are now 116,000 non-doms, costing hundreds of millions of pounds to our country, it can no longer be justified, and it makes Britain an offshore tax haven for a few.”

He will ridicule the current system:

“What is the proof you need to show you are ‘not domiciled’ here? What are the kinds of test that are applied? It is fair to say they are not very rigorous. Whether you own property abroad, whether you own a burial plot abroad, whether you subscribe to an overseas newspaper. You can qualify even if you’ve lived here all your life on the grounds that your father was born abroad. So old-fashioned are these rules they don’t think it’s even relevant where your mother was born. I want to be clear: I don’t blame people for taking advantage of non-dom status. I blame governments for fostering a system that can be taken advantage of.

He will say this holds Britain back:

“It works against every business and working person in this country who has to pay more as a result, everybody who relies on public services like the NHS, everybody who believes in Britain and a fair and modern country. The United States doesn’t do it. No other major country in the developed world does it. No one would propose doing it now if didn’t already exist. One rule for some and another for others? It is unjust, it does not work, it holds Britain back and we will stop it.”

He will set out how Labour will act:

“The next Labour government will abolish the non-dom rule. And we will replace it with a clear principle: anyone permanently resident in the UK will pay tax in the same way. The rules we will introduce are modelled on what other countries already do. Real temporary residents, here for a limited period, will only have to pay tax on what they earn here because they will be paying their taxes in their place of permanent

residence."

He will warn that some critics will say it can't be done

"Now, some people will say that if we change the rules people will leave the country, just like they used to say that we can't act on bank regulation because the banks will leave the country. They say we can't act on energy companies, because the Big Six won't stand it. Some of them are the same people who said back in 1997, that we shouldn't introduce a minimum wage because it would cost millions of jobs or a windfall tax on privatised utilities. Some threatened to leave the country then too. And guess what? They're still here."

He will say Britain will only succeed as a country where everyone plays by the same rules:

"I just don't believe the way we compete in the world is as an offshore tax haven. We don't compete in the world by offering tax advantages to a few that we don't give to all our citizens and businesses. It is not fair on all those millions of working people and businesses who pay their share and play by the rules. And it's not fair on all the people who rely on our public services either. And with a deficit to pay down, the country can't afford it."

He will say this goes to the character of modern Britain:

"There is a moral reason for it too. We all use the same roads, we are all protected by our police and armed forces, even those who go private sometimes rely on the NHS. It is the common good. We use these same services therefore we all owe obligations to help fund them according to our ability to do so. Just as we rightly demand responsibility for those who can work that they should do so, so responsibility should go right to the top. It is what makes our country strong. It is what allows a country to succeed."

Policy detail

The current system:

- Created more than 200 years to help colonial settlers, 'non-UK domicile' status allows people to pay no tax on income and gains they make outside the UK - even if they have made this country their home. In contrast UK domiciles have to pay tax on all of their income and gains, wherever in the world they are made. This is a unique system — other countries, including the US and France, require people living there permanently to pay tax on their worldwide income and gains.
- Someone who is a non-dom and lives in the UK for less than seven years can currently use the special non-dom rules free of any charge. They then have to pay charges of ranging from £30,000 for people who have been UK resident for 7 out of the last 9 years to £90,000 for those who have been UK resident for 17 of the last 20 years. Many wealthy non-doms find this is still worth paying because they are avoiding so much tax.
- The non-dom loophole is being claimed by people born, brought up and living in the UK. These include some who claim the status simply because their father was born overseas. Others who have returned home after living abroad avoid taxes because they have a burial plot overseas or subscribe to foreign newspapers.
- These rules do not just lead to tax being avoided on overseas income, in practice they are also allowing non-doms to use offshore trusts to buy expensive UK homes and avoid UK inheritance tax or to loan money to themselves and then receive repayments tax free.

The new system:

- * Labour will abolish the non-dom loophole so that everyone who comes to the UK and makes the UK their permanent home pays tax in the same way from April 2016.
- * There will be new rules for temporary residents introduced so that only those in the UK for a short period — for example to study or through their work — would be just taxed on income and gains in the UK.
- * The next government will consult on the length of time for which the new rules for temporary residents should apply and on the transition period over which existing non-doms will come within them.
- * The additional tax revenue, estimated to be hundreds of millions of pounds, will be

part of Labour's fair and balanced plan to reduce the deficit.