

Has Your Inheritance Gone For A Burton?



Non-Domicile status has hit the news in the UK and around the world, recently due to Akshata Murty, the wife of UK Chancellor of the Exchequer, Rishi Sunak, being ‘outed’ as having non-domiciled status. This means her tax liabilities in the UK are significantly less than they would be if she was domiciled in the UK.

Now I’m not here to comment on this particular situation, or US Green Cards or Rishi being Boris’s lockdown party wingman, but to give a quick overview to the expatriate community of the prickly thorn that is UK non-domiciled status, with an infamous case as a lesson in what not to do.

Whether you have lived outside of the UK for two years or two decades, if you are British, UK inheritance tax (IHT) is an issue that you should consider sooner rather than later.

While you should not worry unduly, do not make the mistake of assuming that because you have been living overseas for donkey’s years that the HMRC has no claim on your assets after you die.

This is an error made by many Brits, and it can be an extremely costly one.

As a cautionary tale, I give you the case of silver screen superstar and acting legend, Richard Burton.

Burton was born and raised in Wales, and went on to become one of Britain's finest stage and screen performers.

Along with actors such as Peter O'Toole, Richard Harris and Oliver Reed, he was known as one of the great hellraisers of his time. Burton died at the age of 58 in 1984, at his home near Geneva, Switzerland.



It was no surprise that Burton died at 58. Actually, it was more a surprise he lived that long!

He spent most of his adult life allegedly puffing his way through 100 cigarettes a day, accompanied by up to three bottles of vodka.

In Dylan Thomas' *Under Milk Wood*, Burton's character resides in a fictitious Welsh village called "Llareggub" which spells "bugger all" backwards. Unfortunately, because Burton mistakenly thought he had lost his UK domicile, "bugger all" was pretty much what was left of his estate after UK Inheritance Tax.

After a particularly expensive income tax bill in 1957, Burton left the UK to move Switzerland with Sybil, the first of his five wives. He spent the next 27 years of his life living between Geneva and the United States.

So even though he didn't live in the UK for 27 years, after his death the UK tax authorities made an inheritance tax claim on his estate on the grounds that Burton; "had never relinquished UK Domicile as he hadn't cut all of his UK ties and it appeared he may have had an intent to return." In other words, they 'deemed' him UK domiciled, and this is why:-



Although he was buried in Switzerland, the fact that Burton had a Welsh flag draped over his coffin and that he had asked to be buried in a red coat with a book of Dylan Thomas poems by his side was considered pretty strong evidence that his heart was still in Wales.

However, the final and defining factor was something that he did many years before he considered himself permanently non UK domiciled. This was when he purchased burial plots for himself and Liz Taylor in Pontrhydyfen, the small village in Wales where Burton was born.

This enabled the UK taxman to categorically claim that Burton had always intended to return to the UK and was therefore deemed UK domicile. It is likely that his lawyer would have argued that this return would have only been after his death, however, the UK revenue won the case and £2.4m had to be paid to the exchequer from an estate worth £5 million.

UK Residency Versus UK Domicile

When looking at inheritance tax liability, it is important to understand the difference between residency and domicile.



Residence is where you physically live the majority of the time.

If your main home for example is in Thailand and you live there for 180+ days of the year, you are a Thai resident.

However, your domicile is determined at birth, usually based on your father's place of birth, and generally it does not change during your lifetime.

Technically it is possible to acquire a domicile of choice, though this is usually a lengthy and bureaucratic process and has serious implications, so it is not a decision to be taken lightly.

Even if you have official confirmation of a new domicile of choice, a number of factors are taken into account, which could mean you are still deemed UK domiciled by HMRC after your death, when you are no longer around to contest the fact.



These include having UK bank accounts, owning property or other assets in the UK, strong family ties, frequent visits for example.

If you are deemed UK-domiciled after your death, the tax man will come calling to see if inheritance tax is due on your estate.

Losing UK Domicile

As you can see, for expats the situation can be very complicated, and what this tells us is that trying to shake off domicile in order to avoid UK inheritance tax can be very difficult.

Therefore, it's always best to seek professional advice for any domicile and inheritance tax-related problems. In the meantime, here are a few basics to consider.

- List your assets in terms of value, owner, provider (where appropriate), where they are based and how they fit into your will.
- Seek a professional opinion on current IHT/Succession tax liability
- Weigh up the pros and cons of your strategy and implement any changes that you think will give you the best chance or even certainty of mitigating future taxation.
- Try to make sure that your plan contains enough flexibility to be altered should your circumstances change and/or tax legislation changes
- Update details of your assets on a regular basis
- Don't buy burial plots in the UK or ask to be buried in a red coat with books of poems, or have your coffin draped in either a Union flag or the flag of your favorite British football team!



Also remember, the law changes regularly, so even with what may appear to be the most effective strategy at any given point in time, domicile and how it affects inheritance tax and succession planning is a moveable feast, so get regular updates from your adviser.



It is important for UK expatriates to understand that simply spending a long time away from the UK does not necessarily mean you have lost your UK domicile. In fact it is unlikely, and up to 40% of your estate could end up in the hands of HMRC, as happened to Richard Burton.

Therefore, effective planning to minimise UK Inheritance Tax needs to be done as early in your life as possible, giving you time to get everything in order before that fateful day. If not, your estate and your beneficiaries may end up with “Llareggub”