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RAWLINSON & HUNTER

# CONTENTS

Welcome 1

The remittance basis 2

Labour's tax proposals 5

"For the times, they are a-changin'" 7

Exploring Italy's New Resident Regime 10

Mastering the miniature – the historical hues of model painting 12

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# WELCOME

**Welcome** to the autumn edition of Tax Pulse, we do hope you managed to enjoy some time away from the world of tax over the last few months.

Since the last edition, we have had the much predicted change in government, with Labour already teasing us with some of their likely announcements in the upcoming Autumn Budget.

With inflation returning to a level closer to the Bank of England's target rate, the Bank cut interest rates in August for the first time since the crises. Whether inflation or rates change when energy bills rise in October remains to be seen.

With the changes to the remittance basis already being given the go-ahead by the new government, our first article looks at recent remittance cases and what the impact may be for individuals and businesses. The second article looks at the tax proposals we already know Labour are planning, but there is always the chance they spring something on us, so we, like the rest of the industry, will be keeping a close eye on events.

Over in the US, the Presidential elections are gathering pace and with the welcome return of our US Tax Corner segment, we explore the potential tax changes that the Democrats and Republicans may introduce if they come into power. With potential tax changes happening in the UK too, individuals whose interests span both nations will likely be calling on those with the expertise for advice and guidance.

Our guest feature in this edition is from Italy, where Andrea Tavecchio, Founding Partner of Tavecchio & Associati, explores Italy's New Resident Regime and how that is creating interest for high-net-worth individuals.

In our final piece, private client consultant, Steve Cantrill tells us how his model painting hobby is the perfect pastime for a busy professional.

We hope that you enjoy reading Tax Pulse and if you have any feedback to give us on any of the pieces or suggestions for future items, please direct your comments to the editorial team.

***The Partners***

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## THE REMITTANCE BASIS

***Read this for an understanding of the future of the remittance basis and an update on new remittance cases.***

The remittance basis, in one form or another, has been part of the UK tax system for around 200 years, since its introduction in 1799. Up until 1914, the remittance basis of taxation was available to all UK tax residents, not just those who had a non-UK domicile.

### What is a remittance?

For these purposes, a "remittance" is broadly defined as: money or other property which is brought to, or received or used in, the United Kingdom, and is enjoyed by a relevant person; or is consideration for a service that is enjoyed in the United Kingdom by a relevant person.

A taxable remittance generally occurs where the money or other property remitted to the UK is derived from the individual's non-UK income or gains which were not immediately taxable in the UK as a result of a claim for the remittance basis of taxation to apply.

### The future of remittances

Following the announcement made by the former Conservative government, and confirmed by the new Labour government, the remittance basis will cease to be available for any UK tax resident from 6 April 2025. It will, instead, be replaced by a Foreign Income and Gains (FIG) regime which will do away with the concepts of "domicile" and "remittance".

The proposals made by the government would appear to simplify the system of taxation for individuals coming to the UK for a short period of time. There will, however, be a continuing need to consider whether a remittance of previously untaxed foreign income and gains has arisen for those who have previously claimed the remittance basis.

For example, a long-term UK tax resident may require funds in the UK to fund their UK expenditure. If they have depleted all of their available clean capital, then they may need to bring income or capital gains which had previously been protected by the remittance basis to the UK. In this scenario, the individual will still be considered to make a taxable remittance, even post 5 April 2025.

A Temporary Repatriation Facility (TRF) was also announced by the Conservative government, and the current government have pledged to retain this facility, although the exact nature of it will not be known until the Autumn Budget. Essentially, the intention of the facility is to allow individuals to remit income and gains held offshore to the UK at a lower tax rate. The previous government had proposed a 12% rate on remittance, available for up to two years after 6 April 2025, but this is under consideration by the current government.

As can be seen, the concept of remittance will remain very much relevant, despite the sweeping changes proposed earlier this year.

The definition of a remittance is wide reaching and includes a simple transfer of funds from a non-UK

bank account to a UK bank account. However, there are more complex scenarios where a taxable remittance may occur.

There have been a number of tax cases this year which consider the concept of a remittance.

***Sehgal v HMRC [2024] UKUT 00074***

This Upper Tribunal case looked at the definition of "service" for remittance purposes, and specifically whether a service had been provided in the UK. The facts of the case are unusual but essentially consist of:

- An agreement for the taxpayers to sell a UK company to a third party Luxembourg company.
- The taxpayers provided a specific indemnity in respect of the sale.
- The indemnity was enforced when another company which was owned by the taxpayers failed to repay a debt owed to a subsidiary of the company which it sold to the third party.
- The taxpayers and the purchaser agreed to an unusual transaction to repay the debt rather than making the agreed payment under the indemnity. Essentially, it was agreed that another company which was owned by the taxpayers would acquire clothing stock from the purchaser, at a value which was inflated by the amount of the debt owed. The funds used to purchase the stock was comprised of non-UK gains which were protected by the remittance basis. As part of a side letter which governed this transaction, it was agreed that the taxpayers were also released from the indemnity and the debt was to be waived.

It was agreed by the Upper Tribunal that no property had been brought to the UK, so no remittance would arise in that respect. The key question in this case was whether a taxable remittance arose as a result of a service being provided in the UK. The service in question was the taxpayers being released from their indemnity.

The Upper Tribunal concluded that the release of the indemnity and waiver of debt would not constitute a "service" for remittance purposes as the word "service" should be considered in its ordinary construction which, in their view, should not apply to this case. The Upper Tribunal went further to say that the location of where the service is provided for remittance purposes is usually the location of the provider of the service.

The case has in some way narrowed the interpretation of what a service is, and placed emphasis on the location of the service provider when considering whether a remittance has occurred.

***D'Angelin v HMRC, 2024 UKFTT 462 TC***

This First Tier Tribunal case involved a UK company owned by the taxpayer. The taxpayer had used £1.5 million of their remittance basis income to fund the company, and made a claim for Business Investment Relief (BIR) to provide tax relief on the remittance.

The taxpayer, who was the sole director, had utilised the company credit card to pay for personal expenses and had racked up a director's loan account of around £70,000. HMRC opened an enquiry into the taxpayer's affairs and issued a closure notice which withdrew the £1.5 million of BIR on the basis that there had been an extraction of value from the company, which prohibits the availability of relief. The taxpayer appealed the closure notice on several grounds.

1. Firstly, the taxpayer argued that there had been no extraction of value on the basis that there was no net receipt of value. The First Tier Tribunal disagreed with this argument, meaning that theoretically even a loan account of £1 would be enough to withdraw the £1.5 million claim.

2. Secondly, the taxpayer argued that the loan account was only temporary. Again the FTT disagreed with this argument, stating that the account had an overdrawn balance for a significant period of time.

3. Finally, the taxpayer argued that the exemption in the rules should apply on the basis the director's loan account had arisen in the ordinary course of business and on arm's length terms. The FTT decided that the terms were not on an arm's length on the basis that the agreement was informal, interest-free and repayable on demand.

The FTT dismissed the taxpayer's appeal. The extraction of value rule and, in particular, the fact that it has no de minimis amount for it to apply, has often been a concern for remittance basis taxpayers who have used the relief to invest in their own personal trading businesses. The decision in this case is perhaps not unsurprising given the fact pattern, but is a salient reminder to be aware of the extraction of value rule where BIR is claimed.

***Alimahomed v HMRC, 2024 UKFTT 432 TC***

This First Tier Tribunal case involved the taxpayer making various transfers from a non-UK bank account containing remittance basis income to the UK bank accounts of family and friends, and to settle non-UK credit card bills which included UK expenses incurred by the taxpayer's adult child, as well as acquiring jewellery in the UK. The question was whether these transfers constituted taxable remittances of the foreign income within the non-UK bank account. For this to be the case, the funds needed to be "brought to, or received or used in, the United Kingdom by or for the benefit of a relevant person".

The taxpayer argued that the transfer of their funds to the UK did not mean that they "brought" money to the UK, they simply "sent" money to the UK. The argument was that under banking law, a bank transfer is just a reduction in the taxpayer's bank balance, and an increase in the recipient's, and this should not be considered to be "brought" to the UK.

HMRC disagreed with this analysis, and the FTT sided with HMRC. They concluded that:

1. "Brought to" should be given a wide meaning and would include funds which are "sent to" the UK, even if there is no benefit by the taxpayer or a relevant person in the UK.

2. It was also argued that the repayment of a non-UK credit card bill which included UK expenditure is also considered a remittance as a 'relevant debt' has been created.

3. The personal use exemption for the purchase of jewellery is not applicable as it is intended to cover the physical transfer of jewellery from outside the UK, into the UK, rather than the acquisition of jewellery in the UK. The purchase was, therefore, considered a taxable remittance.

The FTT's interpretation of the term "brought to" in this case is perhaps questionable. Remittance basis users should though, whenever possible, ensure that gifts to non-relevant persons are made to non-UK bank accounts such that the possibility of a remittance occurring cannot occur.

**Conclusion**

Despite the apparent abolition of the remittance basis from 6 April 2025, there will continue to be scenarios where historical remittance basis income and gains may be remitted to the UK. Therefore, taxpayers and their advisers will need to continue to be mindful of such rules for the foreseeable future, and possibly for the lifetime of the taxpayer, should they remain tax resident in the UK.

Please speak to your usual Rawlinson & Hunter contact if you wish to discuss any aspect of this note.

## LABOUR'S TAX PROPOSALS

***Read this if you want to learn about Labour's tax proposals***

On 29 July 2024, the new Chancellor announced that the date of the Labour Autumn Budget has been set for 30 October 2024. At the same time, the government provided further comment on several areas of reform which they consider will ensure fairness in the tax system.

### VAT and Private School Fees

As proposed in their election manifesto the government announced that as of 1 January 2025, all education services including boarding services provided by a private school will be subject to VAT at a rate of 20%.

It was also announced that fees invoiced or paid on or after 29 July 2024 that relate to the school terms after 1 January 2025 will be subject to the standard rate of VAT at the beginning of that term. School fees paid before 29 July 2024 will follow the VAT treatment in force at the time of the normal tax point for these supplies, where the fee rate for the relevant term has been set and was known at the time of payment.

Where pupils are placed in a private school because their needs cannot be met in the state sector, and they have their places funded by their Local Authority, a devolved government, or a non-departmental public body, their funder will be compensated for the VAT they incur on these pupils' fees.

### Abolition of Furnished Holiday Lettings

This measure was proposed in the Spring Budget under the then Conservative government and will abolish the furnished holiday lettings (FHL) tax regime from 6 April 2025 for income tax (and from 1 April 2025 for corporation tax), removing the tax advantages that landlords who offer short-term holiday lets have over those who let residential properties for longer terms. While the new rules for holiday lets will not take effect until next year, the following transitional rules will apply:

- Capital Allowances - FHLs will no longer be eligible for more favourable capital allowances treatment and will instead be eligible for 'replacement of domestic items relief' in line with other property businesses. Where an existing FHL business has an ongoing capital allowances pool, capital allowances can continue to be claimed on that pool, although any new expenditure incurred on or after 6 April 2025 for income tax purposes (1 April 2025 for corporation tax) will fall under the property business rules.
- Losses - under current rules, a loss from FHLs can only be carried forward and offset against future profits of the same FHL business. After the changes, former FHL properties will form part of an individual's UK or overseas property business, and an individual will therefore realise an overall profit or loss for all properties in that business.
- Tax Reliefs - under current rules, FHLs are eligible for capital gains roll-over relief, business asset disposal relief, gift relief, relief for loans to traders, and exemptions for disposals by companies with substantial shareholdings. Although eligibility for the reliefs will cease from 6 April 2025, where the conditions were met prior to the changes the existing reliefs will still be available.

- Business asset disposal relief (BADR) - where the FHL conditions are met in relation to a business that ceased prior to 6 April 2025, BADR may continue to apply to a disposal that occurs within 3 years of the FHL business ceasing.
- Anti-forestalling rule - this is designed to prevent the obtaining of a tax advantage through an early property sale to obtain capital gains relief under the current FHL rules. The rule became effective from 6 March 2024.

### Changes to the Non-Dom Rules

As expected, the government also stated they will remove the concept of domicile status from the tax system. Instead, they will implement a new residence-based regime which they consider will be "internationally competitive and focused on attracting the best talent and investment to the UK".

The four year exemption from tax on FIG for new UK residents from 6 April 2025, as proposed by the previous Conservative government in the Spring 2024 Budget, will remain. For individuals to qualify they must not have been UK resident in any of the 10 years prior to becoming UK resident.

The previous government's proposed 50% reduction to income tax rates for 2025/26 for individuals who would have been eligible for the remittance basis will not be implemented. However, the previous government's proposed Temporary Repatriation Facility (TRF), enabling individuals that previously claimed the remittance basis to remit FIG that arose prior to 6 April 2025 and pay a reduced tax rate for a limited time will still be implemented. The rate and length of time the TRF will be available has not yet been confirmed although the government has stated they will be "set to make its use as attractive as possible". The government has also commented that they are exploring ways to extend the TRF's scope to income and gains within overseas structures.

Capital Gains Tax (CGT) rebasing for previous remittance basis users will be available, but not necessarily as at the 5 April 2019 date originally announced by the previous government, with the effective rebasing date to be announced at the Budget.

From 6 April 2025, the protections for non-UK resident trusts will cease, resulting in income and gains arising in offshore trusts being taxed on UK resident settlors who retain an interest in the trust, if they do not qualify for the four year FIG regime.

The Government is proposing that Inheritance Tax (IHT) will be charged when a person has been UK resident for 10 years, with a corresponding tail to keep such individuals within the scope of IHT for 10 years after they leave. However, further engagement on this area is planned.

In addition, the use of excluded property trusts, created by foreign domiciled individuals to keep assets outside the scope of IHT, will cease for settlors who are personally within the scope of IHT. However, transitional measures for existing trusts and settlors will be considered and explained at the next Budget.

A review of offshore anti-avoidance legislation will also be undertaken.

### Taxation of Carried Interest

Carried interest is a form of performance-related reward received by fund managers, mainly within the private equity sector. Some carried interest can currently be taxed at CGT rates. However, the government considers that the current regime does not reflect the economic characteristics of carried interest and the level of risk assumed by fund managers who receive it. Therefore, the government issued a call for evidence (which closed on the 30 August) and said it would engage with interested parties including a range of expert stakeholders across industry, other relevant professions, academia and elsewhere, with feedback sought particularly on the following three areas:

- How can the tax treatment of carried interest most appropriately reflect its economic characteristics?
- What are the different structures and market practices with respect to carried interest?
- Are there lessons that can be learned from approaches taken in other countries?

Following this engagement, a further announcement is expected in the Autumn Budget.

### Non-Resident Stamp Duty Land Tax (SDLT)

Currently, non-UK residents (for SDLT purposes) who buy residential property in England or Northern Ireland pay an additional 2% SDLT on top of rates paid by UK residents. Labour plans to increase the additional rate paid by non-UK residents from 2% to 3%.

Please get in touch with your usual Rawlinson & Hunter contact should you wish to discuss any aspect of this note.

## "FOR THE TIMES, THEY ARE A-CHANGIN'"

***Read this to find out what potential tax changes could take place in the US based on the outcome of the upcoming Presidential election.***

To quote Bob Dylan:

"*Come gather 'round people wherever you roam*"

Welcome back to our long-awaited US Tax Corner update where we take a key theme of UK/US taxation and explore it in more detail.

All of our articles in US Tax Corner are written by our inhouse UK/US tax team here at Rawlinson & Hunter LLP. In this edition, we will take a brief look at the potential forthcoming changes to the US tax landscape in light of the US election, and with an eye to there being UK tax changes also.

Not only do we have the prospect of the results of the recent UK consultations
e.g. on the taxation of carried interest, the proposed non-domicile changes in respect of the remittance basis, Inheritance Tax and Trusts, but given Mr Starmer noted that the Budget will be

‘painful’ we might anticipate a little more than simply a restriction of the winter fuel allowance (though these potential changes appear to only be UK relevant). The issue for US taxpayers this year is the expectation of actual changes in the US post November; and of course the all-important combined impact of both sets of changes on those US connected individuals resident in the UK. For example, a UK hike in carried interest tax rates may matter slightly less perhaps if the US also imposes changes and increases tax rates on carried interest.

“*Come senators, congressmen, please heed the call*”

What do we expect to happen in the US and when might any changes come into effect?

It is self-evident that US changes will (with the exception of the taxation of tipping income or ‘Tips’) depend on who is in power from January (given the two parties have both made promises on that). In recent weeks we have seen some tax policy proposals from both sides.

So let’s take a look at the Democrats first:

We can perhaps anticipate the Democrats to let the Trump changes from 2017 that were due to sunset (i.e. the temporary changes scheduled to return to the prior law in 2026) run their course. That would mean amongst other things:

- The return of 39.6% top rate tax up from 37% in 2026 (still lower than top rates of UK income tax of course).
- The return of the ‘full’ State Tax deduction, which of course disproportionately impacted those in many Democratic states.
- A fall in the standard deduction which was doubled in 2017 (although expect some action here).
- Possible reduction in the Alternative Minimum Tax (AMT) exemptions.
- Halving of the current $13.91million Gift and Estate Tax exemption.
- The return of personal exemptions.
- Possible removal of the qualified business income deduction.
- Return of 2% miscellaneous itemised deductions, including investment expenses.
- Corporation tax rates to increase - albeit perhaps not to the heights of 35% previously applied.
- Perhaps less likely would be to drop the 2018 increase in child tax credits.

Harris has also recently set out the following policy proposals, with the stipulation (echoing Biden) that no individual earning less than $400,000 will see their tax burden increase:

- Increasing and expanding tax credits and exemptions for lower income individuals and families.
- Raising the corporation tax rate up to 28% (from 21% currently) and applying a minimum 21% tax rate to large corporations (from 15% currently). These changes may impact individuals and companies that operate non-US businesses and who have previously been protected from Subpart F and GILTI antideferral inclusions where the foreign corporate tax rate was at least 90% of the US corporate tax rate (as this hurdle would be higher as a result of these proposals and the UK corporate rate is only 25% currently slightly less than 90% of 28%).
- Increasing the top marginal tax rate for individuals to 44.6%, which includes a 1.2% increase to the current Net Investment Income Tax (NIIT) charge of 3.8%. This will likely have little impact on US/UK taxpayers who are subject to UK taxes at up to 45% where a full foreign tax credit should still be available. However, the US NIIT on investment income and gains is an extra cost as UK taxes are not creditable against that US charge.
- Applying a minimum 25% income tax rate for individuals with income over $1million. Again, for UK resident US taxpayers this change may not be too impactful where the UK has primary taxing rights over income and gains, a tax credit is available against the (typically lower) US tax. But we will need to see the detail as

to whether this could impact entrepreneurs in years when businesses are sold.

- Individuals with income in excess of $1million per year may also see their capital gains taxed at ordinary income tax rates and it is unclear whether carried interest gains would also be caught here. Given the misalignment with the UK if this proposal were to go ahead (subject to any potential forthcoming changes to the UK Capital Gains Tax rate in the Autumn Budget) this would likely increase the US tax exposure for US/UK individuals.
- Taxpayers with a net worth of $100million or more would be subject to income tax on their realised and unrealised capital gains each year. Note the practicality of implementing this proposal is questionable. For example how should 'net worth' be defined for this purpose, and what valuation rules would apply to privately-held companies, artwork, or other assets which do not have a straightforward value? With such wealth taxes we would certainly expect the US courts and constitutional lawyers to become involved.
- Estates with unrealised capital gains above a $5million exclusion per person would be subject to capital gains tax on death (presumably in addition to estate taxes on the taxable estate). Such a proposal would cause a mismatch where the UK currently only subjects estates to UK Inheritance Tax (IHT), and still provides a capital gains tax step-up in basis for capital gains tax purposes).

Now let us look to what the Republicans are likely to do.

To a large degree we can expect them to fight to make permanent many of the same sunset provisions (in particular, the revenue-raising limitation on state tax deductions, and the inflated Estate and Gift Tax exemptions), as well as proposing to reduce the corporate tax rate to 15%.

Given the number of the 'Project 2025' team proposals adopted last time, we must also look at these for clues despite suggestions from Trump he will not be adopting these proposals (which seek to simplify the tax system with the aim of reducing overall tax compliance costs).

With this backdrop in mind, we may see the introduction of the following measures:

- A simple two-rate individual tax system of either 15% or 30% (30% rate applying at the point Social Security tax no longer applies so effectively a 30% rate on all income above that threshold).
- A reduction in the GILTI tax to 12.5% (currently up to 13.125%).
- Increase to threshold for business loss limitations to $500,000 and increased ability to fully carry forward losses to subsequent years.
- All capital gains and qualified dividends being taxed at 15%.
- Estate and gift tax rate reduced to 20% (from 40%).

Trump also suggests a 10% or higher universal baseline tariff on all imports (and 60% if from China), so expect many more goods apparently made outside of China by Chinese companies, and an inflationary impact given these costs will be passed onto consumers, unless or until domestic US companies manufacture the same products and choose to sell at cheaper prices.

Curiously the proposed Republican tax reductions and tariff increases might make UK/US taxes easier for US individuals resident in the UK as they would create more space between the two systems.

It will certainly be interesting to see where we stand at the end of this year, and we will of course be posting a further update once policy changes are known.

*"And keep your eyes wide, the chance won't come again*
*And don't speak too soon for the wheel's still in spin. "*

*"For the times they are a-changin'"*

Please speak to your usual Rawlinson & Hunter contact if you wish to discuss any aspect of this note.

## EXPLORING ITALY’S NEW RESIDENT REGIME: AN ATTRACTIVE OPPORTUNITY AMIDST CHANGING EUROPEAN TAX LANDSCAPES

***Read this to find out what makes Italy’s New Resident Regime appealing to high-net-worth individuals.***

Since its introduction in 2017, Italy’s “New Resident Regime” (i.e. the so-called “Flat Tax Regime”) has become evidently popular, with the number of applicants growing significantly each year. The combination of the regime’s straightforwardness and predictable tax planning on foreign-sourced income, along with its extensive benefits, are key factors behind the regime’s success. Additionally, the handling of tax rulings by a specialised team within the tax authority in Rome has ensured consistency and facilitated open dialogue with the tax authorities before and during the application process—a feature highly valued by tax professionals and clients alike.

Despite recent developments regarding the increase in the flat tax amount, this trend is expected to continue, especially given upcoming changes in the UK, France, and Portugal, further solidifying Italy’s position as a compelling choice among European tax regimes.

### Recent developments: Enduring Appeal and Strategic Benefits

At its core, the regime allows new residents to pay an annual flat tax on all foreign-sourced income, regardless of the amount. This lump-sum tax replaces the standard tax rates that would otherwise apply, thereby providing significant tax savings for individuals with substantial foreign income. A significant modification was introduced through Law Decree No. 113 of August 9, 2024 (the “Decree”), which doubled the annual lump-sum from €100,000 to €200,000. The Decree includes a grandfathering clause under which the above increase will be applicable only to those who move their habitual abode to Italy after the effective date of the Decree, i.e. on 11 August 2024 or later.

Italian Finance Minister Giancarlo Giorgetti has justified the increase of the flat tax to €200,000 by emphasising the need for a balanced approach to attracting high-net-worth individuals and stressing the importance of avoiding a “race to the bottom” in tax competition among countries. However, it is evident that this decision aims to raise additional revenue in response to a potential significant number of people relocating to Italy from the UK, as well as to adjust the tax amount in line with inflation.

The Decree must be converted into law within 60 days of its introduction, during which time the provision could be subject to slight modifications. It is hoped that the provision will be amended to extend the grandfathering rules to those who had already planned to move to Italy, ensuring that the increase applies only to those who transfer their tax residence to Italy starting from the fiscal year 2026. A modification in this sense could improve Italy’s stability. Regardless of any changes aimed at extending the grandfathering rule, the government’s decision to maintain the New Residents Regime without altering its core aspects and to include a grandfathering clause seems to demonstrate a commitment to the Regime and its recognition of the importance of attracting HNWIs to Italy.

## Key Features of Italy's New Resident Regime

The regime allows new residents to pay an annual flat tax on all foreign-sourced income, regardless of the amount. It is worth noting that Italian-source income and gains remain subject to ordinary tax rules.

As said, the aforementioned Decree does not amend any of the other features of the Regime:

- Subjective requirements. The Regime is reserved for individuals with citizenship abroad or in Italy who transfer tax residence to Italy and have had nonresident status for tax purposes for nine out of the ten preceding taxable years.
- Exemptions. Departing from ordinary rules, the regime grants exemption from (i) reporting obligations in relation to foreign assets, (ii) payment of wealth taxes on real estate properties and financial assets held abroad, (iii) Italian inheritance and gift tax on foreign situs assets.
- Extension to family members. The Regime allows the primary applicant to extend the flat tax benefit to close family members, who would each pay an additional €25,000 per year on their foreign income.
- Anti-avoidance provision. To prevent abusive situations, the exercise of the election for the New Residents Regime does not prevent the imposition of capital gains tax on foreign substantial participations (e.g. the shareholding representing (i) a percentage of voting rights in the company's ordinary shareholders' meeting that exceeds 2% for listed shares or 20% for unlisted shares or (ii) a participation in the share capital exceeding 5% for listed shares or 25% for unlisted shares) generated in the first five years of residence. During that period, the gains will be subject to ordinary taxation in Italy. However, this provision may be disapplied if the taxpayer makes a formal commitment to remain a resident in Italy for an additional five years following the year in which the disposal of the qualified shares occurred.
- Exclusion of certain countries from the Regime. The taxpayer may elect to apply the New Residents Regime to income earned in all foreign countries or only selected countries ("cherry picking").
- Tax Ruling. It is possible to obtain prior approval from the Italian Tax Authority through a tax-ruling request so as to confirm the conditions required to benefit from the regime are met. The tax ruling can be used also to ask a formal opinion on other specific issues. For example, the tax ruling can be filed to obtain confirmation on the foreign nature of a specific type of income or the non-interposed nature (from an Italian tax perspective) of holding companies or trusts.
- Duration. Once the New Residents Regime is elected, special tax treatment is allowed for up to 15 years. During this period, entitlement to benefits is automatically renewed annually, unless early withdrawal or a reason for loss of entitlement occurs.

***Guest article by Andrea Tavecchio, Founding Partner of Tavecchio & Associati***

## MASTERING THE MINIATURE - THE HISTORICAL HUES OF MODEL PAINTING

In our last article of Tax Pulse, we traditionally like to move away from matters of tax and finance, and instead focus on a member of our team involved in something interesting or unusual outside of work.

Steve Cantrill is one of our private client consultants, and when he is not providing tailored tax advice he indulges in a spot of model painting. Requiring a steady hand and a quiet space to concentrate, model painting may not sound like your typical hobby for a busy professional with a growing family. However, Steve explains how it is the perfect hobby for him.

For as long as I can remember, I have always had a passionate interest in history. As a child, my parents made a concerted effort to ensure our family holidays were taken in slightly unorthodox places, that were not exactly the typical tourist traps that spring to mind when one takes a summer holiday: with a margarita in one hand and a beach towel in the other. These included; a drive with my father across eastern France, through Switzerland and northern Italy; a holiday to the northern part of Cyprus; and a trip to Gibraltar, without forgetting our visits to the battlefields of Normandy and Flanders.

Each of these places has a distinct connection to some element of military history, with memorials, museums and in some cases lasting physical scars that remain to this day, reminding visitors of the events that once transpired there. Whether it was Pegasus Bridge in Normandy, the abandoned Green Zone in Cyprus, or the stalwart remnants of the Maginot Line in France, all of these places had a military story to tell.

On our visits, I was always drawn to the elaborate and detailed displays that were often found in local museums, in which scale models depicted an entire battlescape of the engagements that took place. Often, there were hundreds, if not thousands of individual pieces in each display, which not only had model soldiers, but also vehicles and scenery that gave you a picture of what the battle would have looked like. Of course, one of the best parts of any military museum is the gift shop where you can sometimes purchase copies of the models that are on display. Taking home a model Centurion tank is, I suppose, the next best thing if you cannot buy the real thing and park it on your lawn.

With this interest having been sparked in my childhood, I took to building various sorts of models, though I can confirm that none of them were dolls houses. I started out building the ubiquitous Airfix kits of fighter planes and armoured vehicles and as I got older, this progressed to focus less on the building of models, but more on their painting. After all, the grey plastic of a merely assembled Spitfire does not quite do justice to the finished article: fully painted in woodland camouflage and complete with RAF roundels.

Though this was certainly a hobby I spent a lot more time on during my childhood, I now focus on model projects that I undertake for a specific purpose. For example, before working in tax I was an intelligence analyst, where I worked with three ex-military personnel with a similarly keen passion for history. As a farewell gift, I painted a model for each of them based on their individual character and interests.

Pictured here is the model I painted for my former line manager who was a Parachute Regiment veteran. It

depicts a paratrooper from the British 1st Airborne Division which, in 1944, took part in Operation Market Garden and fought courageously to take the bridge at Arnhem, which remains one of the most proud battle honours of the Regiment.

*Paratrooper of the British 1st Airborne Division at Arnhem: September 1944 (Operation Market Garden)*

While nowadays family life has certainly focussed my attention elsewhere, such as trying to stop my six-month old son from drinking the dog water, the beauty of model painting is you can pick it up and put it down whenever you like. In that respect it is a great hobby, requiring as much or as little attention as you can spare at any one time.

Though, as a small warning to those wanting to give it a try, perfectionists should beware. There will always be something you forgot to add, or a misplaced brushstroke to sear in your mind's eye as you lie awake at night wondering why one's painting is not better. My advice is, unless it's for a competition, don't trouble yourself. If you cannot see it from a distance (think mantelpiece), no one but you will notice!

**Tax Pulse was brought to you by:**

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