TAX PULSE

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RAWLINSON & HUNTER

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WELCOME

Welcome to the New Year 2025 edition of Tax Pulse. As we begin another promising year, it is time to reflect on developments from 2024 that will shape the financial landscape in 2025.

With UK economic growth flatlining towards the end of 2024, despite showing some signs of resilience following a general election bounce, inflationary pressures have persisted. Alongside this, with half of the government's proposed increase in spending announced in the Autumn Budget being funded through an increase in taxes (mainly on employer payrolls and individual and family assets), we can expect further economic challenges in 2025 as the ramifications from the Budget continue.

Continuing with the theme of the Autumn Budget, some individuals may be considering a move abroad, and in this edition we delve into the existing rules of how to become non-UK resident and the new Inheritance Tax implications of being a long term UK resident.

Next, we tackle the much-discussed BPR and APR Inheritance Tax reliefs. This topic has been making headlines with interested parties trying to influence this tax regime, as the proposals are subject to a consultation due for release within the next few months.

We also examine the implications of the UK budget and US elections on American expats. With political shifts on both sides of the Atlantic, expatriates can leverage these changes to their benefit with the right planning in place.

In our guest feature, our Cayman office brings you insights into the Beneficial Ownership Transparency Act 2023. This new legislation aims to consolidate and enhance the existing beneficial ownership framework in the Cayman Islands, promoting greater transparency and compliance.

Finally, with the New Year being a time for fresh starts and new beginnings, we close with a story of one team's recent volunteering experience in suburban London, bringing new life to a community garden.

We hope that you enjoy reading this edition of Tax Pulse. If you have any feedback or suggestions for future editions, please direct your comments to the editorial team. Above all, we would like to wish you a prosperous and fulfilling New Year, and offer you our best wishes for 2025.

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Read this to find out the conditions to become a non-UK resident and the Inheritance Tax implications of being a Long Term UK Resident

With the changes in the Autumn 2024 Budget affecting many people, there will undoubtably be some individuals considering leaving the UK, particularly non-doms where there has been a complete overhaul of the existing UK tax rules.

How do I become non-UK resident?

The UK residence status of an individual is determined by the Statutory Residence Test (SRT). The SRT is made up of three separate sets of tests which must be considered in sequence.

- First, there is the automatic overseas tests. If the individual satisfies any of these tests it will mean that they are non-UK resident for the tax year. If they are non-UK resident under this test, this concludes the matter and the next tests do not need to be considered.

- Second, there is the automatic UK tests. If the individual satisfies any of these tests it will mean that they are UK resident for the tax year. If any of the automatic UK tests are satisfied then this concludes the matter and the next test does not need to be considered.

- Finally, there is the sufficient ties test. This test is a tie-breaker and is based on the individual's links to the UK and the number of days spent in the UK in the tax year.

There are special rules if an individual dies in the tax year which are not covered in this brief note.

As this article is concerned with leaving the UK, we focus here on the automatic overseas tests. The automatic overseas tests are:

- The individual has been UK resident in any of the previous three tax years and spends fewer than 16 days in the UK in the relevant tax year. A day is counted if the individual is in the UK at midnight.

- The individual has been non-UK resident throughout the previous three tax years and spends fewer than 46 days in the UK in the relevant tax year.

- The individual works full time overseas, which broadly means that they work an average of 35 hours or more per week outside of the UK, there are no significant breaks from overseas work and they spend fewer than 91 days in the UK of which less than 31 of those days are UK workdays in the relevant tax year. A UK workday is where the individual works for more than three hours in the UK on that day.

If, for a specific UK tax year, an individual does not satisfy any of the above automatic overseas tests and does not satisfy any of the automatic UK tests, they may still be non-UK resident under the sufficient ties test. This will require close examination of an individual's links to the UK and the number of days they spent in the UK in the tax year. Space does not permit a detailed summary of the provisions of the sufficient ties test. However, suffice to say that for "leavers" i.e. for someone UK resident in one or more of the previous three tax years, there are five specific links to the UK that need consideration. These are whether for a tax year the individual has an Accommodation, Family or Work tie, a 90 day tie (by virtue of having spent more than 90 days in the UK in either one or both of the previous two tax years) or a Country Tie (by virtue of having spent more days i.e. midnights in the UK than in any other jurisdiction in the tax year). So, for example, an individual having two ties for a tax year, could be non-resident under this test if they spent no more than 90 days in the UK in the tax year.

Under the SRT, the individual is either UK resident or non-UK resident for the entire tax year. However, when an individual leaves (or arrives in) the UK, they may qualify for split year treatment. Split year treatment will mean that an individual will (for most tax purposes) be treated as UK resident up until the date of departure and non-UK resident for the remainder of the tax year.

For split year treatment to apply, the individual must first be UK resident under the SRT. For individuals leaving the UK, they would also need to be non-UK resident for the following tax year. There are three cases where split year treatment could apply to individuals leaving the UK: (i) where an individual starts working full time abroad, (ii) the individual is the partner of someone working full time abroad, and (iii) the individual ceases to have a home in the UK. Each of these cases has different criteria in order to qualify for split year treatment.

Inheritance Tax

Individuals

Under the proposed new rules, from 6 April 2025, an individual's exposure to UK Inheritance Tax (IHT) will be based on whether an individual satisfies the long-term residence test:

- If an individual is a Long Term Resident (LTR) then they will be subject to IHT on their worldwide assets.

- If an individual is not a LTR, they will only be subject to IHT on their UK situs assets and on certain non-UK assets which relate to UK residential property. Non-UK situs assets would be outside the scope of IHT. We refer to assets which are outside the scope of IHT as "excluded property".

An individual will be a long term resident (LTR) for a tax year if they have been UK resident for at least ten out of the previous 20 tax years. Residence for this test is determined by the SRT mentioned above.

When an individual has been UK resident for 20 or more years they would only lose their LTR status if they are non-UK resident for ten consecutive tax years. Where an individual has been UK resident for between ten and 19 years out of the previous 20 tax years, the length of time they would need to be non-UK resident for to cease being a LTR is reduced. Where an individual has been UK resident for between ten and 13 years, to lose their LTR status they would need to be non-UK resident for three consecutive tax years. This increases by one tax year for each additional year of UK residence. For example, if an individual was UK resident for 15 out of the previous 20 tax years, they would lose their LTR status once they have been non-UK resident for five consecutive tax years.

There are transitional rules for individuals who are non-UK resident for the 2025/26 tax year and in future. These transitional rules apply when the individual was non-UK domiciled under general law on 30 October 2024, they do not satisfy the existing deemed domiciled test (UK resident for at least 15 out of the previous 20 tax years) or are non-UK resident for any of the three tax years immediately preceding the relevant tax year. This means that for certain individuals leaving the UK, where under the proposed new rules, a longer IHT tail would ordinarily apply after ceasing UK residence, they will only be within the scope of IHT on their worldwide assets until the start of their fourth year of non-residence. If the individual returns to the UK, the new long term residence test provisions will apply.

Relevant Property Trusts

For trusts within the relevant property regime, there are two IHT charges where trustees could be liable to pay IHT. Namely, a ten year charge, which arises on the trust's ten year anniversary, and an exit charge, which is normally triggered when the trust distributes property. The IHT liability in respect of these charges is a maximum of 6%.

Currently non-UK trust assets are outside the scope of the trust IHT charges if the settlor was non-UK domiciled at the time the assets were added to the trust.

From 6 April 2025, whether non-UK trust assets will be considered excluded property will be based on the settlor's status at the time of the chargeable IHT event and will no longer be fixed at the time the assets were added to the trust. If the settlor is not a LTR, only the trust's UK assets (and non-UK assets relating to UK residential property) will be within the scope of the trust IHT charges and any non-UK assets would be excluded property. If the settlor is a LTR, all of the trust's assets i.e. its UK and non-UK assets will be within the scope of IHT. For example, if the settlor is a LTR on the trust's ten year anniversary, all of the trust's assets will be subject to a ten year anniversary charge.

It is important to note that when a settlor ceases being an LTR the trust's non-UK assets will become excluded property. As a result of this change, the trust will have an exit charge in respect of its non-UK assets.

Where a settlor has passed away before 6 April 2025, non-UK assets would be excluded property based on the settlor's domicile at the time the property was added to the trust. Where the settlor passes away on or after 6 April 2025, non-UK assets would be excluded property if the settlor was not a LTR at the time of their death.

Qualifying Interest in Possession trusts

Generally, under current rules, where an interest in possession trust is settled by an individual on their death via their Will it would not be within the relevant property regime, but instead would be a qualifying interest in possession (QIIP) trust. This means that the trust's assets are not subject to ten year anniversary and exit charges, but instead may be subject to IHT when the QIIP comes to an end or on the death of the QIIP beneficiary.

Where non-UK assets comprised in a QIIP settlement were excluded property before 30 October 2024, the Government has confirmed that such assets will not be subject to an IHT charge when the QIIP comes to an end or on the death of the QIIP beneficiary.

However, for any QIIP trusts made on or after 30 October 2024, non-UK assets within the trust will only be outside the scope of IHT if the settlor was not an LTR on their death and if the QIIP beneficiary is not an LTR when the QIIP comes to an end or on their death.

This note is only intended to be a brief sketch of the existing SRT and proposed new IHT rules as they affect individuals contemplating leaving the UK. Please liaise with your usual Rawlinson & Hunter contact if any specific advice is required.

The IHT proposals, as set out above, are based on the 2025 Finance Bill which is subject to change as it makes its way through Parliament.

Read this to understand the Government's proposed changes in relation to Business Property Relief (BPR) and Agricultural Property Relief (APR)

The proposed changes to these Inheritance Tax (IHT) reliefs, announced in the Autumn Budget, have received extensive media coverage. They have also attracted intense criticism, including from some of the UK's leading entrepreneurs and particularly from farmers who have demonstrated against the proposed changes in their thousands at Westminster.

Current position

The rules as they currently stand are that there are two rates of IHT relief (50% or 100% relief) for qualifying agricultural property and business assets, being broadly:

- A business or interest in a business and shares in an unlisted trading company qualify for 100% IHT relief. Land, buildings and machinery used in a business carried on by a company which the transferor controlled or by a partnership of which they were a partner qualify for 50% IHT relief. The relief has no territorial limits.

- Qualifying agricultural property includes land or pasture that is used to grow crops or to rear animals, stud farms for breeding and rearing horses, trees that are planted and harvested at least every 10 years. The rate of IHT relief (i.e. 50% or 100%) applicable to the property depends on specific conditions including relating to the start date of any land let on a tenancy and the right to vacant possession. The relief only applies to UK agricultural property.

Proposed changes

The new rules are proposed to apply from 6 April 2026. Any lifetime gifts made on or after 30 October 2024 where the donor passes away on or after 6 April 2026 will also be within the scope of the proposed new rules.

The proposals are subject to a consultation due to be released early in 2025. There are a number of technical issues in respect of the proposed new rules which require more clarity.

The proposed rules are as follows:

- Shares designated as "not listed" on the markets of recognised stock exchanges, such as AIM listed shares, will qualify for the lower 50% rate of BPR (currently these shares qualify for the 100% relief rate).

- Any agricultural property and business assets which currently qualify for 100% IHT relief will be subject to a £1 million allowance:
  - The first £1 million of qualifying business assets and agricultural property will qualify for the existing 100% IHT relief.
  - The value of the qualifying business assets and agricultural property in excess of £1 million will qualify for 50% IHT relief, which ultimately means that IHT will be payable at a rate of 20%.

The new £1 million allowance will apply to property in an individual's estate at death, gifts during the individual's lifetime where the gift occurred in the seven years before death and lifetime transfers of property to a trust. It will also apply to relevant property trusts (i.e. trusts liable to inheritance tax charges).

The £1 million allowance will apply to the combined value of business and agricultural property in an individual's estate and will be divided proportionately between each category. For example, if there was agricultural property of £3 million and business property of £2 million, the allowance for the agricultural property and the business property would be £600,000 and £400,000 respectively.

It is also proposed that there will be a combined £1 million allowance for trustees on the value of qualifying property to which 100% relief currently applies on IHT ten year anniversary and exit charges. Where more than one trust has been set up prior to 30 October 2024 each trust will have its own £1 million allowance.

In addition, anti-forestalling measures have been introduced to stop the effective 'banking' of the relief between 30 October 2024 and 6 April 2026. Where a lifetime transfer of qualifying business property or agricultural property is made on or after 30 October 2024 and the donor dies on or after 6 April 2026, instead of the current IHT exemption applying to the transfer, the new rules will apply, in that 100% relief will only be due on the first £1 million of the gift and 50% relief will apply thereafter. It should be noted that after a full seven years any Potentially Exempt Transfer would fall outside the scope of IHT under normal principles.

Unlike some other IHT reliefs, the Government has confirmed that any unused BPR/APR allowance will not be transferable between spouses and civil partners.

The Government also announced in the Autumn 2024 Budget that it will extend the scope of APR from 6 April 2025 to include land managed under an environmental agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities or approved responsible bodies.

If you have any questions about this note or about Inheritance Tax more generally, please speak to your usual Rawlinson & Hunter contact.

SOME THINGS CHANGE, SOME THINGS STAY THE SAME

Read this to discover what the US-UK power shifts mean for American expats, and where the opportunities might be.

Navigating the intricacies of tax compliance has always been complex, but impending reforms on both sides of the Atlantic present new considerations for US expats living in the UK. It may be possible to use some of the changes to advantage, although careful navigation is required to avoid pitfalls.

As referenced in the R&H Budget guide, Rachel Reeves' first budget has confirmed a number of changes impacting individuals who have moved to the UK including:

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The introduction of a proposed four-year tax transition from 2025/26. The grace period up to 5 April 2025, and possibly any remaining period up to the full four years residence in the UK before full worldwide income and gain taxation applies, offers an opportunity for extending planning to bring US tax affairs into alignment with the UK tax system. For US expatriates in particular, this could include liquidating UK tax-inefficient US investments such as municipal bonds and US mutual funds.

Municipal bonds are tax-exempt in the US, but fully taxable in the UK, so simply targeting a better UK and US taxable interest yield may be advantageous. Similarly, gains from US mutual funds without UK "reporting status" are taxed as income in the UK under Offshore Income Gains rules, potentially creating higher effective rates than in the US. By disposing of these assets during the initial four year period, expatriates can limit their future worldwide tax exposure. Note: it is possible to reinvest in equivalent US funds with UK "reporting status" allowing a mirroring of the recognition of income and gains in both countries.

The proposed replacement of domicile as a connecting factor for Inheritance Tax (IHT) with the new classification: long-term resident (LTR) also requires careful consideration for US expats. Individuals are classified as LTRs if they have been UK tax resident for at least ten of the previous 20 tax years. One of the more burdensome aspects of the proposed LTR regime is the "tail" of IHT exposure for individuals who cease to be UK residents. For those who were UK residents for fewer than ten years, LTR status ends immediately upon departure. However, for longer-term residents, IHT exposure can persist for three to ten years after leaving the UK, depending on the individual's total length of residence. For example, an individual who has been UK resident for 15 years will continue to face IHT on worldwide assets for five years after departure. This lingering exposure requires careful planning for expatriates intending to leave the UK to ensure they do not inadvertently trigger UK IHT liabilities.

Trust structures also require particular attention. Under current rules, non-UK assets held in trusts settled before 30 October 2024 may remain exempt from UK IHT. However, for trusts established after this date the underlying assets will be subject to IHT on the settlor if they become a long-term resident (LTR). This makes it critical to review existing trusts and, where necessary, restructure them before the rules are due to come into effect on 6 April 2025, or before entering the UK.

The overlap between the UK's proposed new tax rules and US estate tax laws creates unique challenges for those who have settled or wish to settle US trusts as an element of double taxation is possible.

Fortunately the UK and US also have an Estate and Gift Tax treaty, and the application of this will become increasingly important as it may protect many trusts created by US "domiciled" individuals and may also cut short the potential ten year UK IHT tail for some US taxpayers. HMRC have confirmed this treaty will still rely on the existing common law concepts of domicile, and the existing deemed domicile rules rather than the new Long Term Residence concept, so we may not be done with arguments over an individual's domicile status yet! The treaty also applies slightly differently for those who have UK Nationality.

The sunset of key Tax Cuts and Jobs Act (TCJA) provisions in 2026 may have added some urgency to the US planning landscape although the expectation is that the new US government will seek to extend this indexed exemption well beyond 2026. Still individuals may wish to accelerate gifting if they are likely to attain LTR status in the UK from April 2025, potentially bringing worldwide assets into the UK IHT regime.

Transitional provisions, as currently proposed, will allow individuals to rebase certain assets to their 2017 values, provided that they claimed the remittance basis during specific tax years. However, this does not extend to assets held in trusts or companies, nor does it extend to new arrivals or those who have not claimed the remittance basis in the past. To a US person already subject to US capital gains taxes, a rebasing in the UK may have less value, (as worldwide capital gains tax will not fall below the US rate), but there may still be some benefit in doing so. Similarly as for the new arrival, manually rebasing assets prior to arriving in the UK may be of benefit given the new 24% main rate for UK capital gains.

In addition, US taxpayers in the UK who have used the remittance basis prior to April 2025 will be able remit previously non-UK taxed income or gains at a flat tax rate of 12% for the first two UK tax years (2025/26 and 2026/27) rising to 15% in 2027/28 under the new UK Government's proposed Temporary Repatriation Facility (TRF). This may present a tax saving for US remittance basis users who have until now dutifully kept funds outside of the UK but would now like to be able to access such funds in the UK. The current remittance trap which created a mismatch between UK and US taxes, potentially creating double tax has historically made this unpalatable, but the promise of a lower marginal rate on remittance may be a great opportunity to access non-UK funds. For example, a US qualifying dividend taxed in the US at 20% would if remitted trigger UK tax of up to 45% with a credit for only 15% US taxes, i.e. a 30% additional tax rate. If instead it can be accessed at a cost of only 12% this is certainly attractive.

The TRF regime, as currently proposed, even allows individuals to nominate offshore income or gains to be taxed in this manner if currently unremitted, to ensure the 12% rate is captured in earlier years on funds needed in the UK in the near future. Although, while this ability may be useful as it simplifies the otherwise highly complex tracing of non-UK funds under the remittance rules, it is not yet clear whether the IRS will accept this apparently optional tax, potentially limiting its creditability against US taxes.

As mentioned in our article "For the times, they are a-changin" in the Autumn 2024 edition of Tax Pulse, Trump's victory will initially likely maintain the current US tax status quo. Whilst his tax policy has not been detailed, it is clear that he will seek to extend many of the provisions of the 2017 TCJA that were otherwise due to "sunset" after the 2025 tax year. This includes the current $13.99m Estate Tax exemption (in 2025), and the top income tax rate of 37%. There are predictions we may see action on this early in 2025.

Whilst there may be intentions to make some provisions of the TCJA permanent, Trump has been prevented from doing so in the past by the reconciliation process as Senate rules require strict budgetary limitations to pass legislation without the need for a supermajority. Many longtime Senators including minority Leader Mitch McConnell have supported maintaining current filibuster rules, meaning that whilst an extension to current provisions is likely, there may be a rocky road and giving the rates permanence is certainly not a given.

It is also worth noting that while Republicans will control the House, their majority is very slim and subject to change in the next two years. The control of the House will have a significant effect on what Trump is able to get through, and how quickly.

Included within the potentially expiring provisions in 2026 are the lower rates for long-term capital gains and qualified dividends and the cap on the deductibility of state and local tax (SALT) payments. Trump has voiced his support for either raising SALT limits or a reversion to pre-TCJA rules and the full allowance for such tax deductions. While this would greatly impact domestic Americans in high tax states, it can also impact many overseas Americans with state sourced income. For new expatriates, the most wide ranging TCJA provision may be the retention of the current lower US income tax brackets, which could provide limited relief on US income earned during the initial four-year UK tax exemption period, as currently proposed.

Other provisions of note include maintaining 'GILTI' taxes imposed on controlled foreign corporate interests at their current rate of 10.5% rather than rising to 13.125%.

The Foreign Account Tax Compliance Act (FATCA) also remains a significant hurdle for US expatriates. FATCA requires foreign financial institutions to report accounts held by US persons, leading many banks to deny services to Americans abroad due to the incompatibility of FATCA with GDPR guidelines. Proposed reforms could exempt non-US residents from FATCA's strictest requirements, improving banking accessibility.

For Americans overseas, one of the most discussed potential reforms in US tax policy is the comment Trump made two weeks before the election in respect of the shift from citizenship-based taxation (CBT) to residence-based taxation (RBT). Under CBT, US citizens are of course taxed on their worldwide income regardless of where they reside, creating a dual tax and compliance burden for expatriates. RBT would align the US with most other countries, taxing non-resident citizens only on US-source income.

Such a change would particularly benefit Americans living and working overseas and "accidental Americans," (individuals who hold US citizenship by birth but have no meaningful ties to the US). However, whether this suggestion is ever enacted is a very real question but a draft bill was put forward on 18 December to do just that. It would require the votes in the two houses and, if costed to reduce tax revenue there would need to be balancing revenue raising provisions enacted, otherwise domestic Americans would effectively need to pay to release non-resident Americans from their tax obligation. RBT also raises concerns about potential abuse, where individuals might temporarily sever ties with the US to dispose of assets tax-free before returning. To address this, there would likely need to be complex rules to deal with the treatment of Americans who move into and out of the US to prevent abuses, and the need for an extension of the US Exit Tax charges that currently apply only to those who 'expatriate' i.e. give up US citizenship or long-term green card holder status. All this is speculation, and even the draft Bill may be a long way from a final product. As a result, it is likely that this is not a 'magic bullet' and we should not make any assumption that it will happen.

Other possible US tax plans under Trump

Individual Tax

Provision	Trump (Proposed)
Individual income tax rates (Sec. 1)	Extending or making permanent the current individual income tax rates
Capital gains tax rates (Sec. 1(h))	Reduce the top long-term capital gains rate to 15% and index purchase prices for inflation
Social Security benefits (Sec. 86)	Exempt all Social Security benefits from income tax
Standard deduction (Sec. 63)	Extend the TCJA increased deduction amounts/ make permanent
Personal exemptions (Sec. 151)	Extend the TCJA elimination of the personal exemption amounts/make permanent
Alternative minimum tax (AMT) exemptions and phase-outs (Sec. 55)	Extend the TCJA increased AMT exemption amounts/make permanent
Itemized deductions (Sec. 63)	Extend TCJA itemized deduction limitations compared to pre-2018/make permanent
SALT deduction (Sec. 164) (so-called "SALT cap")	Eliminate the SALT deduction cap, currently $10,000
Mortgage interest deduction (Sec. 163)	Extend/make permanent the TCJA limits on mortgage interest deductions.

Estate, gift and GST

Provision	Trump (Proposed)
Estate, gift, and generation-skipping transfer (GST) tax (Subtitle B)	Extend TCJA exemption amount increase, ($13.99m in 2025) rather than reduce to approximately $7m in 2026.

International Business Tax

Provision	Trump (Proposed)
Foreign-derived intangible income (FDII) (Sec. 250)	Extend the 13.125% rate that would otherwise increase to 16.4% after 2025.
Global intangible low-taxed income (GILTI) (Sec. 951A)	Extend the 50% deduction i.e. a 10.5% rate, (that would otherwise rise to 13.12% after 2025)

Other Business Tax

Provision	Trump (Proposed)
Corporate income tax rate (Sec. 11)	Decrease rate to 20%; 15% for companies that manufacture in the U.S.
Carried interest (considered by some as compensation) (Sec. 1061, as added by the TCJA)	Extend the present-law
Qualified opportunity zone investments (encourage long-term investment in economically distressed areas) (Secs. 1400Z-1 and 1400Z-2)	Extend the present-law allowing deferral of reinvested gains and a reduction in tax rate for holdings over five or seven years
Like-kind exchanges (Sec. 1031)	Extend the TCJA restriction to real estate transactions
Qualified business income deduction (Sec. 199A, as added by the TCJA)	Extend the deduction 20% qualified business income tax deduction from pass-through entities
Limitation on excess business losses for non-corporate taxpayers	It is unclear whether Trump will extend this limitation as it was enacted under TCJA or repeal the limitation
Bonus depreciation (Sec. 168(k), as added by the TCJA)	Reinstate and possibly permanently extend 100% bonus depreciation on US situs business assets.

The changing climates within the US and UK present both challenges and new opportunities for US expats living in or planning a move to the UK. For tailored advice on how these changes will affect you, please contact your Rawlinson and Hunter representative.

UNDERSTANDING CAYMAN'S BENEFICIAL OWNERSHIP TRANSPARENCY ACT 2023

Read this to gain a deeper understanding of the legislation that seeks to improve and streamline the beneficial ownership framework in the Cayman Islands

The Cayman Islands beneficial ownership regime was updated by the introduction of the Beneficial Ownership Transparency Act, 2023 (BOTA). This is an extension of the previous beneficial ownership regime, which has been codified into its own legislation, and took effect from 31 July 2024 although no enforcement action is expected until early 2025.

Changes include (a) an expansion of Cayman entities included, and (b) a reduction in available exemptions (now referred to as an "alternative routes to compliance").

Included Cayman entities, further to (a):	Previous regime	New Act
Cayman Companies	✓	✓
Cayman Foundation Companies	✓	✓
Cayman LLCs	✓	✓
Cayman LLPs	✓	✓
Cayman Limited Partnerships	x	✓
Cayman Exempted Limited Partnerships	x	✓
Exemptions available, further to (b):		
Publicly Listed Entity (or subsidiary of one)	✓	✓
Cayman licensed entity	✓	✓
Cayman registered entity	✓	x
Cayman registered mutual fund/private fund	✓	✓
Entity regulated in equivalent jurisdiction (including parent or subsidiary thereof)	✓	x
Subsidiary of exempted entity (except publicly listed entity)	✓	x
Exempted by Cabinet	x	✓

Conceptual A-B-C's

A: Alternative Routes to Compliance (ARC)

- An ARC provides for specific situations where a Cayman Legal Person (CLP) has been vetted by a recognised regulatory body. As such, only limited particulars need to be provided to the authorities for the CLP.

B: Beneficial Owners (BOs) or Reportable Legal Entities (RLE) are Registrable Beneficial Owners (RBOs)

- Where no exemption is available through an ARC, the CLP will need to report its RBOs.

- BO in relation to the CLP is an individual who meets any of the specified conditions:
  - Ultimately owns or controls (directly or indirectly) twenty-five per cent or more of shares, voting rights or partnership interests in the CLP;
  - Otherwise exercises ultimate effective control over management of the CLP; or
  - Exercises control of the CLP through other means.

- An RLE is another CLP that holds a relevant interest (or through which a BO or other RLE indirectly holds a relevant interest) and would be a beneficial owner if it were an individual.

A Trustee shareholder will always be reportable in addition to any other persons exercising control over the CLP.

C: Contact Person, a senior managing official

- If no ARC exemption classification is applicable and no RBO can be identified, a Contact Person should be provided to the authorities for the CLP.

- This is not to be considered an elective way of reporting, but rather a requirement when no other classification or reporting can be applied; BOTA reads: "Where there is no individual who meets the definition of a beneficial owner, the senior managing official shall be identified as the contact person."

In practice, this means several things:

Some wealth planning entities (such as foundation companies and private trust companies) will now be in-scope for beneficial ownership reporting.

- The removal of exemptions may now pull into scope individuals with effective control for reporting when they were previously not reportable. For example, now that subsidiaries (other than those of publicly listed entities) no longer get an exemption, this results in protectors/enforcers potentially being brought into scope, as well as settlors of reserved powers trusts if their powers are considered to fall into effective control.

In the case of underlying companies of foreign trusts, where there is no individual that either owns 25% or more of the shares of the entity, or ultimately controls the entity, the foreign trustee of the trust are the beneficial owners and a contact person of the foreign trustee identified.

Items worthy of mention:

- In the case of a company in liquidation, details of the liquidator along with the details of the RBO's as at the date of the appointment of the liquidator are to be provided.

- Trusts, foreign companies/partnerships and non-profit organisations are outside of scope, not needing to maintain a beneficial ownership register.

- If the intent is to be listed on a stock exchange, licensed or registered as a fund or private fund (so an ARC would apply) but the process is delayed, the ARC cannot be claimed, and the CLP will need to file RBO/CP details until the process is completed.

- If the CLP is de-listed, or has surrendered its license/registration, it will need to file RBO/CP details until fully terminated.

- Multiple nationalities of individuals now need to be collected and reported.

- Nominee shareholdings are generally looked through to determine ultimate ownership/control.

It is worth getting this right

Under the regulations, there are over a dozen provisions, which, if breached, could result in an administrative fine.
- Examples include not identifying all RBO's, not providing current and valid particulars, as well as failing to establish and maintain an accurate and current register.

If in doubt it is worth getting legal advice or reaching out to your Cayman Islands service provider for a conversation.

The overall objective is to identify the beneficial owners or controlling persons of in-scope Cayman Islands entities. For private clients, established structures involving trusts with underlying Cayman companies may be impacted by the Beneficial Ownership Transparency Act, 2023, so these situations warrant a thorough review, alongside governing and supplemental documents to determine not just ownership but also controlling interests.

Guest article by Kristina Worden, Senior Manager, Rawlinson & Hunter Cayman

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A DAY IN NATURE: VOLUNTEERING AT INGESTRE WOODS

In our last article of Tax Pulse, we traditionally like to move away from matters of tax and finance, and instead give you an insight into some of the people that make up the Firm.

Here, Kaci Narayan, a Student Accountant in our Private Client Tax team, shares her experience of a recent Firm-run volunteering day.

On 22 November, the London Volunteering Group spent a rewarding day at Ingestre Woods and Estate, working under the guidance of The Conservation Volunteers (TCV) charity. TCV is an environmental charity which aims to protect and improve green spaces for communities. This inspiring organisation led the project, providing expertise, tools, and a clear vision for the day ahead.

The day's agenda was packed with hands-on activities, with the team tackling a variety of tasks to improve the estate's accessibility and environment. From constructing stairs and handrails, to clearing invasive ivy, picking up litter, and even felling a few trees, the work was diverse and physically demanding. Each project is designed to enhance the natural beauty of the estate whilst also supporting its long term sustainability so that future visitors could enjoy the beautiful space.

Despite the chilly weather, we quickly managed to warm up as we got to work. The team was split into groups to tackle the various tasks, all completed with careful guidance and a focus on improving the environment. Each task was meaningful, and knowing we were making a tangible difference kept us motivated throughout the day.

As the day came to an end, we stepped back to admire all that we had accomplished. The raw materials, piles of leaves and overgrown ivy, which surrounded us at the start had been transformed into a usable safe path and an improved composting area. This served as a visible reminder of the impact of our efforts.

For many of us, the physical nature of the work was a welcome break from our usual routines. However, giving back to the community was at the heart of this initiative. In a busy, fast paced world, it is easy to overlook the value of donating time to community causes.

The restoration of Ingestre Woods and Estate not only replenished the environment but also left us replete with a deep sense of reward. Whilst our muscles ached and clothes were covered in mud, we all left the Ingestre Woods and Estate with the knowledge that our efforts improved the space for local families and wildlife.

What made this experience truly special was the sense of teamwork that developed among us. Volunteering alongside colleagues outside of the usual work setting was refreshing, and it was a rare opportunity to engage with people across all grades and departments, building stronger working relationships. It was an opportunity to come together as a team, learn new skills, and contribute to something bigger than ourselves. It was a day we would all happily repeat.

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Tax Pulse is intended solely as an overview of complex tax legislation. No action or omission should be taken in reliance on the articles in this issue without full and appropriate professional advice.

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