

WRITTEN QUESTION E-2737/09
by Jonathan Evans (PPE-DE)
to the Commission

Subject: Different taxation rules and levels for resident EU citizens and nationals in the United Kingdom

The extensive movement of EU citizens to take up work and reside in the UK in recent years has revealed an anomaly in the UK taxation system relating to the way that UK citizens domiciled in the UK are treated as opposed to EU citizens tax-resident in the UK but deemed non-domiciled by reasons of birth abroad or of holding the nationality of another EU Member State. Since 1975 in the UK, no inheritance tax (IHT) or death duties have been applied to a deceased spouse's estate bequeathed to the surviving spouse (inter-spousal inheritance). Also, in 2009 a bequest to any other UK-domiciled person is zero-rated up to GBP 300 000, after which it is taxed at 40%.

However, if the surviving spouse is a non-domiciled person – i.e. a foreigner, including a national of an EU Member State, albeit fully resident and paying tax in the UK –, they are only entitled to inherit GBP 55 000 from their spouse tax-free, a rate which has been unchanged since 1994 and is even considerably less than the zero-rate band of GBP 300 000 allowed for domiciled residents who are not spouses.

This means that if surviving spouses are EU citizens who have never availed themselves of the offshore tax concessions made to the non-domiciled and have paid all their income tax in the UK and lived there for less than 17 years, they could face financial ruin on the death of their spouse, possibly having to sell the marital home and become homeless with dependent children owing to the high price of property and the very low tax-free level set for non-domicile inheritances.

Does the Commission not consider this to be an example of direct or indirect fiscal discrimination against EU citizens resident in the UK and married to UK citizens, and should all EU citizens moving to the UK and contemplating marriage not be warned that they cannot inherit from their spouses in the same way as other UK citizens?