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Children and money at risk for wealthy families fleeing tax hikes

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Dubai is one of the family-friendly tax-efficient destinations the ultra-rich could move to

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Cautious divorce settlements and fears over increased child abductions are two of the by-products of Labour's planned tax raids on the wealthy, family lawyers report.

Couples are said to be looking to [move abroad to escape tax rises](#) – but they are having to wrestle with the impact that relocation could have on the division of their assets should their relationships break down.

Building on Conservative proposals, the new government has pledged to scrap the non-dom tax status next year, which allows UK residents to escape paying tax here by claiming that their permanent home is overseas.

Parents sending their children to private schools will also be hit by the introduction of VAT on fees, and the government is understood to be looking at increasing capital gains tax and reducing pension tax relief for high earners.

Sarah Williams, a family law partner at the law firm Payne Hicks Beach, says that so-called ultra-high-net-worth individuals – the extremely wealthy, in other words – are “taking advice on all fronts and considering their options, not just to protect their wealth but also in terms of lifestyle”.

The issue of VAT on school fees is already being raised by clients with spousal maintenance agreements in place after divorcing, says Marilyn Bell, a partner at SA Law.

- [Mid-year start for VAT on school fees is ‘cruel and punitive’](#)

Williams says: “For those with vast resources and influence, relocating abroad permanently is often taken in their stride.” She adds that the process is particularly attractive given the “menu of family-friendly tax-efficient destinations” such as Monaco, Italy, Portugal, Switzerland and Dubai.

However, Williams warns that issues can be more complicated when families are fractured or parents are in the process of separation. “Children who are habitually resident in the UK will not be allowed to leave this jurisdiction permanently without the agreement of the other parent or an order from the court,” she explains.

She adds that until a resolution is reached, “it is important to consider possible risks in agreeing to the other parent taking the children abroad for a holiday to a country which, in the event of an unlawful retention, will not assist with their return”.

Expanding on that theme, Katie O’Callaghan, a partner at Boodle Hatfield, moots the possibility of “a surge in abduction cases where one parent removes the children from this country without the other’s consent”. She warns that “taking such an extreme step is likely to scupper the abducting parent’s chances of being permitted to relocate lawfully subsequently”.

In relocation applications a court's primary concern will be the best interests of the children. But Catherine Wood KC, at the barristers' chambers 4PB, notes that judges are unlikely to view a parent's wish to move to another country solely for a better tax regime as sufficient reason to approve a relocation.

The budget, scheduled for next month, has made clients more cautious when negotiating financial settlements on divorce, O'Callaghan says.

"The English family courts expect assets to be divided between former spouses on a net basis once all relevant taxes have been factored in," she explains. But uncertainty about possible tax changes is making it difficult — particularly for the financially stronger spouse — to negotiate confident in the knowledge that the relevant tax position can be relied on for the purposes of calculating the family's net wealth.

"For a married couple, moving out of England is about a lot more than voting with your feet about the state of the country or government policy," stresses Ayesha Vardag, the founder of the divorce and family law firm Vardags. She highlights the consequences of the rules on financial provision overseas, which can be a "financial game changer".