

Your manager has been advising a client, Waverley, on his plans to sell his business. An email from your manager setting out the current situation and some notes on the tax system in the country of Surferia are set out below:

Email from your manager – dated 8 September 2016

Waverley

Waverley was born in 1976. He divorced his wife in 2014. His three children, all of whom are under 18, live with his ex-wife in the UK. Waverley began trading as a sole trader on 1 March 2008. We are advising him on the sale of this unincorporated business with the objective of minimising his capital gains tax liability.

It has been concluded that it will be very difficult to sell the business as an unincorporated entity, so Waverley is going to sell the business to a newly-formed company which he owns, Roller Ltd. Waverley will then sell his shares in Roller Ltd.

Waverley has decided to emigrate to the country of Surferia. He wants to make a fresh start and has heard from friends that moving abroad could be advantageous from the point of view of UK tax. He will move to Surferia on 5 April 2017.

Waverley wants to see his children regularly and is also an enthusiastic member of an amateur football team in the UK. As a result, he intends to spend as many days as possible in the UK in the tax year 2017/18. He will continue to work for Roller Ltd until the company is sold and it is also possible that the purchaser of Roller Ltd will ask Waverley to do further work for the company whilst he is in the UK.

Waverley will sell his home in the UK in March 2017. The house is Waverley's principal private residence, such that there will be no capital gains tax in respect of its disposal. Once the house has been sold, whenever Waverley is in the UK he will stay in a hotel, as he does not have any other UK property available for his use. When he is not in the UK, he will live in a new house which he plans to buy in Surferia.

Residence status

Waverley has always been resident and domiciled in the UK, but it is likely to be beneficial for him to be non-UK resident for the tax year 2017/18.

Please carry out the following work:

(b) Residence status:

Explain the maximum number of days which Waverley will be able to spend in the UK in the tax year 2017/18 without being UK resident. I have already concluded that for the tax year 2017/18, Waverley will be neither automatically resident overseas nor automatically resident in the UK.

Required

Carry out the work requested in the email from your manager. The following marks are available:

(b) Residence status.(6 marks)