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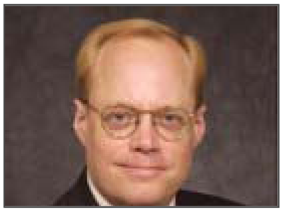

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THE TAX LAWYER

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Virgin Expat? Sir Richard Branson Leaves UK

Sir Richard Branson (Image credit: Getty Images for Starkey Hearing via @daylife)

Dear Phil Mickelson, this is not about taxes. With a Virgin-based fortune estimated at £2.9 billion and still climbing toward Virgin space, Sir Richard can do what he wants. And now he says he is settling down for good on pristine Necker Island, which he bought decades ago. The billionaire is quick to point out that he is not leaving for tax reasons, especially after *The Sunday Times* suggested otherwise.

A Branson spokesperson said, "This move is a lifestyle choice. The sun shines, he feels healthy and he travels around the world doing what he wants." And Branson himself wrote on his blog on the Virgin website, "I have not left Britain for tax reasons but for my love of the beautiful British Virgin Islands."

Some of the kerfuffle comes from a sweetheart deal with Branson's children for his Oxfordshire estate, though that seems a drop in the proverbial bucket. Not long ago Sir Branson himself said, "I don't think people should be leaving the U.K. because of our tax system." Statements say his companies remain in the U.K. and he provides employment for 35,000 Britons and healthy corporate tax revenues.

Still, his new nonresident status will be worth something. Like other nonresidents of the U.K., Branson personally will only pay tax on his U.K. income, not on his income from abroad. Americans struggling with the unforgiving worldwide income tax reporting to the IRS may look fondly on a residence-based tax system, one that has also allowed the U.K. to court foreign money for generations.

And while the U.K. has not struggled with class tax rates like France, its top rate has been controversial. As this table shows, rates climb quickly, and Britain's controversial top 50% individual tax rate hit earnings above £150,000. After outrage and some departures from the U.K. in 2012, it was cut to 45% effective April 6, 2013.

RATE	**2011-12**	**2012-13**	**2013-14**
Starting rate for savings: 10%	£0-£2,560	£0-£2,710	£0-£2,790
Basic rate: 20%	£0-£35,000	£0-£34,370	£0-£32,010
Higher rate: 40%	£35,001-£150,000	£34,371-£150,000	£32,011-£150,000
Additional rate: 50%	Over £150,000	Over £150,000	N/A
Additional rate: 45% from 4/6/13	N/A	N/A	Over £150,000

The U.K. tax system seems far preferable to the U.S. counterpart in many ways. As everywhere, though, the well-advised may not all pay it. For example, former Prime Minister Tony Blair's taxes appeared in the British press but then died down precipitously. Blair reportedly channeled millions through a web of companies, it was reported.

The number of U.K. taxpayers declaring £1 million a year in income fell by more than 60% in the banner year that British millionaires faced the 50% income-tax rate up from 40% the prior year. Incredibly, the total number of millionaire tax filers plunged from 16,000 in 2009-2010 to 6,000 in 2010-2011. It wasn't all the recession.

British politicians claimed that the 50% rate would boost tax collections, but collections went down. Of course, after France's socialist President François Hollande proposed a 75% tax on earnings over one million euros, France's wealth-king Bernard Arnault applied for Belgian nationality. He later recanted.

When Facebook's Eduardo Saverin left the U.S. for tax-friendly Singapore, his move on the heels of the Facebook IPO prompted a tax bill to slap even higher taxes on those who leave. Although the proposed higher exit tax has not been passed, expatriates already face a U.S. exit tax on their worldwide property. But the tax can be reduced or avoided in many cases. See Ten Facts About Tax Expatriation.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.