



UK Tax Implications for UK Employees assigned Overseas

Many tax and NIC issues need to be considered if you are assigned overseas by your UK employer, no matter how short your secondment is. It is the shorter assignments which can cause the most issues with double taxation. This fact sheet aims to highlight the key UK tax issues you should be considering and what your tax obligations are while assigned overseas.

Action points

Make sure you intend to be out of the UK long enough to break UK tax residence and make sure you have evidence to back this intention.

Watch your visits back to the UK. Keep a diary showing where you spend your days and for what reason, so you can keep track of your UK visits.

If you remain resident in the UK, see if treaty exemption applies.

If you remain on a UK payroll, consider applying for an appropriate PAYE tax code, so that UK tax ceases to be deducted from your salary.

Claim any repayment you may be due.

Tax Residence – To break UK tax residence you need to be absent from the UK for a certain time. If you are leaving the UK to work full-time overseas, then you need to be absent for at least a full tax year and will need to claim split year treatment, so that you are regarded as not resident from the day after you leave, to the day before you return to the UK.

If you don't break tax residence, you may find yourself in a double tax situation. In this case, it may be possible to claim exemption from overseas tax on your earnings under a double tax treaty. Conditions need to be satisfied and you will need to claim any treaty exemption or relief that may be available. If treaty relief is not available and you are subject to double tax, relief for this may be available, but you will need to claim this via your tax return.

To remain a non-tax resident, you must ensure that your visits to the UK are less than 183 days in a UK tax year and less than 91 days on average per tax year (there is a specific way to calculate this). If you break either of these tests you will be resident in the UK and, hence, taxable in the UK on your worldwide income.

If you commute to another country for work, you may remain resident under the mobile workers rules.

UK Sourced income – If you retain a source of income in the UK, this will remain taxable in the UK regardless of the fact you may be a non resident for tax purposes, although some income may escape UK tax under the excluded income rules. Similarly, if you perform any work in the UK while on your overseas assignment, the earnings from the days you work in the UK are likely to be taxable in the UK despite you being non resident.

If you are a non resident for UK tax purposes and not performing any work in the UK while you are assigned overseas, but are still on a UK payroll you need to apply to the Revenue for an appropriate PAYE code to stop tax being deducted from your salary.

As a British citizen you are still entitled to a personal allowance if you are not resident for tax purposes. If you continue to receive UK sourced income after you have left which has had tax deducted from it at source, you may be due a repayment of tax. If you are you need to claim this.

Action Points

If you rent your home out apply for the rent to be paid gross.

If resident, check to see if you can claim relief for your expenses

Consider whether a second home election is required if you don't rent out your home.

Consider the NIC implications of your secondment and whether a certificate of coverage is required or whether you need to apply to pay voluntary NIC.

Complete departure tax form. Take care in answering this form - it forms the basis of how you will be taxed in the UK.

If issued with a UK tax return, ensure this is filed on time, along with any outstanding tax.

If you retain UK property that will be let, this will be covered by the Non-Resident Landlord Scheme. Under this scheme your letting agent or tenant is obliged to deduct tax from your rental income. You can apply for the rents to be paid grossed.

If you remain resident in the UK while working overseas, you may be able to claim tax relief for some of your expenses, such as for travel and subsistence which can include accommodation costs.

Capital gains tax (CGT) - If you have property in the UK which you haven't let out, then you need to consider whether you need to make an election to keep it as your main residence for CGT purposes while you are overseas. Without this election you may find a CGT liability arises when you come to sell your property.

Social security – This is a complex area and depends on where you are being assigned to and with whom your employment contract is with. If you are assigned to a country in the EU, an E101 certificate may need to be applied for (certificate of coverage in the US or any other country the UK has a social security reciprocal agreement with). In some circumstances you may have to pay UK NIC for the first 52 weeks of your assignment.

Consider whether you need to pay voluntary NIC to protect your Basic State Pension.

Compliance – A departure tax form must be submitted, which tells the Revenue you have left the UK. Care needs to be taken when completing this form, as it forms the basis of how you will be taxed while working overseas.

Any tax return issued to you must be filed by 31 January following the relevant tax year (if filed electronically, earlier if not). Any outstanding tax also needs to be paid by this date. Penalties, interest and surcharges will be charged for late filing and payment of tax.

The above is a guide to some of the key issues you need to consider when leaving the UK. You must seek further professional advice to fully understand your tax situation in the UK, as there are many other factors, which will affect your tax position in the UK.

For further advice or assistance, please contact Juliet Connolly on +44 (0)20 3239 4140, e-mail jgc@ukexpat.co.uk.

UK Expat offers departure advice, which will explain your UK tax situation, any possible tax planning opportunities, and your ongoing tax obligations. We can also help with the completion of tax forms you need to submit.

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