



## UK Tax Implications for individuals arriving in the UK

Many people arriving in the UK often do not appreciate that most tax planning should have been done prior to arriving in the UK. This can often lead to them missing out on generous tax savings and paying UK tax unnecessarily. This fact sheet aims to highlight the key tax issues you should be considering when arriving in the UK and what tax obligations you are under.

### Action points

**Establish your residence status for UK tax purposes – this could be not resident, resident but not ordinarily resident or resident and ordinarily resident. Your tax liability in the UK will depend on your residence status. Keep a diary showing where you spend your days, and for what reasons. Also keep all travel documentation such as boarding cards.**

**Establish your domicile status. This will involve looking at your father's domicile. If you are from a country like Australia or New Zealand where many British nationals have emigrated to, you may have a UK domicile without realising it. If you have a non UK domicile, tax planning is available to minimise your UK tax liability.**

**Tax Residence** – If you are in the UK for 183 days or more during a UK tax year (year to 5 April) or if your average visits per tax year amount to 91 days or more over a 4 year period, then you will be regarded as being resident in the UK. In addition, if you intend to be in the UK for 3 or more years or own or have access to accommodation in the UK, which is available for your own use, then you will be regarded as ordinarily resident. Your intentions also play a key part in establishing your residence status and from when you are resident.

If you are resident in the UK (and are not a UK domicile – see below) then you will be taxed in the UK on your UK sourced income and, if beneficial, can elect to be taxed on any income remitted to the UK. If you don't elect for the remittance basis you will be taxed on your worldwide income. If you are not resident then you are only taxed on your UK sourced income.

It is possible for you to remain resident in the country you are moving from and also to be resident in the UK, leading to a potential double tax situation. Double tax treaties exist which can relieve double tax, however, certain conditions need to be satisfied.

**Domicile** – This is a complex area. Basically it is where your permanent home is. It is not your nationality or citizenship. At birth, you take on the domicile of your father. This is known as your domicile of origin and this remains with you until you adopt a domicile of choice. If you intend to stay in the UK permanently, then this is an area you will need to look at, as the Revenue may try and argue you have adopted a UK domicile.

There may be tax advantages to being a non-UK domicile. With regard to overseas investment income, if you are a tax resident then you can elect to be taxed in the UK on that amount which you remit to the UK regardless of your exact residence status, however, from 6 April 2008 new rules apply to the remittance basis, meaning this may not be the most efficient way of being taxed in the UK.

Domicile status is important for UK inheritance tax (IHT). If you are not a UK domicile then you will only be subject to UK IHT on your UK assets. If you are a foreign domicile and have a UK domiciled spouse or vice versa, then watch the restriction in the spouse exemption. UK IHT applies not only on an individual's death, but also on any gifts made in their lifetime.

## Action Points

If you wish to bring funds into the UK, seek professional advice before becoming resident in the UK, as tax planning may be available to minimise your UK tax.

Seek professional advice before arriving in the UK (ideally before the start of the UK tax year in which you arrive), so that you can take advantage of any tax planning opportunities available to you.

Complete appropriate tax forms when arriving in the UK. Take care in answering these - they form the basis of how you will be taxed in the UK.

Ensure you file your tax return on time, along with any outstanding tax.

Apply for any relevant certificate of coverage to remain in your home state social security system.

**Remittance basis** – If you are a non-UK domicile, you can elect for the remittance basis to apply to you in respect of the taxation of your overseas income. This is a complex area and involves not only the simple transfer of funds, but also more indirect methods such as the use of overseas credit cards, settling UK liabilities with overseas funds, loan arrangements with a foreign element and so on. From 6 April 2008, the remittance basis may no longer be the most tax efficient way of being taxed on your overseas income, so professional advice in this respect should be sought.

**Tax Planning** – depending on your circumstances, there are various tax planning opportunities available. 2 key opportunities are:

*Detached duty relief* – relief is available for your travel and subsistence (including accommodation) costs, however your assignment needs to be structured correctly. The length of your assignment and with whom your employment contract is with, are key factors with regard to this relief.

*Overseas workdays* – relief is available for earnings you receive from days worked overseas while you are based in the UK. You need to be regarded as not ordinarily resident and the location of your bank account into which you are paid and what you remit to the UK are key.

**Compliance** – When arriving in the UK tax forms must be submitted, which inform HM Revenue & Customs that you have arrived in the UK. Care needs to be taken when completing these, as they form the basis of how the Revenue will tax you. How you answer these can also affect your eligibility to certain tax reliefs.

It is very likely you will need to file a UK tax return each year, which must be filed by the 31 January (if electronically, earlier if not) following the relevant tax year. 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.

**Social Security** – Depending on your circumstances it may be possible to avoid UK national insurance contributions (NIC) for part or all of your assignment. You need to consider whether you need to apply to remain in your home state system, assuming this is possible.

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

For further advice or assistance, please contact Juliet Connolly on +44 (0)20 3239 4140 (UK) or +61 (0)3 9017 0179 (Aus), e-mail [jqc@ukexpat.co.uk](mailto:jqc@ukexpat.co.uk)

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