



UK Tax Implications for Individuals Leaving the UK Permanently

Many people leaving the UK do not realise they may still have an ongoing tax liability in the UK. Equally, they may have a repayment of UK tax when they leave. This fact sheet aims to highlight the key tax issues you should be considering when leaving the UK and what tax obligations you are under when you depart the UK.

Action points

Make sure you intend to be absent from 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, so you can keep track of your UK visits.

Where tax is deducted at source, if you think your UK income will be covered by your personal allowance, submit appropriate forms to receive income gross e.g. bank and building society interest, rental income.

Tax Residence – To break UK tax residence you need to be out of the UK for a certain time. If you are leaving the UK for a number of years or emigrating, HM Revenue & Customs may continue to treat you as tax resident until they are satisfied you have actually broken residence (this could be up to 3 or more years). In this situation you will remain taxable in the UK on your worldwide income, leading potentially to a double tax situation, as it is likely you will also be taxed on the same income in the country you are moving to. Relief for double tax or a tax repayment may be available, but you will need to claim this.

Once you have left the UK, you need to be careful of how many visits you make to the UK. To be 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.

UK Sourced income – If you retain a source of income in the UK (e.g. rents from UK property, UK bank and building society interest, etc) these 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.

British citizens are still entitled to a personal allowance if they are not resident for tax purposes. Many UK sources of income have tax deducted at source, therefore, tax may be deducted even though the income is covered by your personal allowance and there is no tax liability. In this situation you will need to make a claim for the repayment of tax. Alternatively, before leaving the UK, fill in the appropriate tax form to receive the income gross e.g. for bank and building society interest.

If you retain UK property that will be let, this will be covered by the Non-Residents 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 make a taxable loss on your rental income, you will need to claim these losses so you can use them in the future.

Action Points

If a UK domicile, consider taking action to adopt a domicile of choice. Assistance from a professional tax adviser is strongly recommended.

If you intend to dispose of property, which has not been your main residence throughout the whole of your ownership or any other asset, seek advice before selling the asset/property.

Complete appropriate tax form when leaving the UK. 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.

Domicile – This is a complex area. Basically it is where your permanent home is. It is not your nationality or citizenship. It is possible to agree a domicile of choice with the Revenue, however, if you have a UK domicile of origin (you take on your father's domicile when you are born) it is very difficult to shake this off and further advice and assistance is recommended. The main impact for emigrants leaving the UK is in respect of inheritance tax. UK domiciles are subject to UK inheritance tax on their worldwide assets, even if they are not resident in the UK.

Capital Gains Tax - If you sell your home, which has been your only main residence throughout your ownership, there will be no capital gains tax. If there have been periods when it has not been your main residence or you have more than one main residence, you should seek advice from a professional tax adviser, as your situation will be more complex and it is likely tax will be due, although there may be tax planning opportunities to minimise your tax liability.

If you dispose of any other asset when you leave the UK or prior to leaving, there may be capital gains tax (CGT), although there are opportunities to escape UK CGT.

Compliance – Upon leaving the UK a tax form must be submitted, which indicates to the Revenue that you have left the UK. Care needs to be taken when completing this form as it forms the basis of how the Revenue will tax you. This form will enable you to claim any tax repayment, which may be due in respect of ceasing your employment in the UK.

If you have a UK source of income, it is likely you will need to file a UK tax return each year. Any tax return issued to you must be filed by the 31 January following the relevant tax year (if filed electronically, otherwise 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.

Once you leave the UK, your UK tax return will be more complex, because additional pages relating to your departure and absence from the UK will need to be completed.

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 (UK) or +61 (0)3 9017 0179 (Aus), e-mail jgc@ukexpat.co.uk.

UK Expat offers departure advice that explains 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 file.

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