Moving to the UK Tax Guide

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Independent Tax Consultants

We provide clear, dependable and tailored tax advice

Introduction

With all the uncertainty and unrest in the world, many expats have been prompted to return home to the UK. Similarly, changes in individuals' work or personal life may mean some people will be contemplating moving to the UK for the first time. Whatever your reason for a move to this sceptred isle in the North Atlantic, it is essential that you consider and understand the tax implications and wider financial consequences of making the move.

Moving back to the UK, or even spending more time here than you have previously, might impact your finances more than you think, particularly if you have been away for a long period or this is your first time living in the UK.

Understanding the UK tax system can be difficult, but it's vital that you get to grips with it. Creating a clear plan before you move can ensure you don't pay more tax than you need to.

This guide should be used as a starting point to highlight some of the more common areas for you to contemplate before making the move. The information included in this guide is of a generic nature and should not be interpreted as advice. Ultimately your tax position will depend on your exact personal circumstances. Therefore, we always strongly recommend you take personalised professional tax advice before moving to the UK.
Our team of experienced tax advisors can provide tax efficient solutions and can create a clear plan for you, identifying any tax planning opportunities available to you before your move.

Timing

The key aspect of any plan is always the timing. It would be reasonable to assume that the date you will become UK tax resident would be the date you physically arrive in the UK. However, this would be far too simple for the UK tax authorities.

The date you become UK resident is dependent on your particular circumstances and is assessed under legislation known as the Statutory Residence Test (SRT).

The SRT comprises a number of different tests, not all of which may be relevant for your circumstances. Most of the tests focus on the number of days you spend in the UK but some of the tests also consider connecting factors you might have to the UK such as a home, accommodation, family and work.

The basic rule for the SRT is that an individual will be resident in the UK for a whole tax year. However, there are certain circumstances where 'split year treatment' can be claimed - for example, when an individual comes from abroad and starts to live in the UK mid-way through a tax year.

Split year treatment enables part of a tax year to be taxed as a non-UK resident and the other part to be taxed as a UK resident. There are five cases of split year treatment when moving to the UK each with their own unique set of complex qualifying conditions. Specialist advice should be sought to ensure you understand the date you will become UK resident.

Becoming UK Resident

Why is it so important to know when you will become UK resident? The date of becoming UK resident is vital as this will be the date you will generally become liable to UK tax on your worldwide income and capital gains.

For non-UK domiciled individuals the rules are potentially different and it is possible that your overseas income and capital gains may remain outside the scope of UK tax. This is a complex area so taking professional advice is crucial to understand your domicile and what this means for your tax position in the UK.

Income Tax

Income tax is calculated by applying a progressive tax rate schedule to taxable income arising in a given tax year. The UK tax year runs from 6th April to 5th April.

The percentage rates or bands of taxable income may change for each tax year. The current rates and band for the 2022/23 tax year are as shown in the table below:

Income tax

Income tax band	Taxable income	Tax rate
Personal allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £150,000	40%
Additional rate	Over £150,000	45%

Different rates and bands apply for residents of Scotland.

The Personal Allowance is restricted by £1 for every £2 that your income is above £100,000. This means your personal allowance is reduced to nil once your income is over £125,000.

The above income rates apply to earned income such as employment income, self-employment profits, rental income, pensions, trust income and some state benefits.

Dividends income and savings income have their own specific allowances and the dividends have their own particular tax rates too.

Allowances

In addition to the personal allowance there are also some other allowances available to individuals.

Allowance	2022/23
Transferable tax allowance for married couples/civil partners	£1,260
Personal Savings Allowance	£1,000 - for basic rate taxpayers £500 - for higher rate taxpayers Nil- for additional rate taxpayers
Dividend allowance	£2,000
Trading allowance	£1,000
Property allowance	£1,000
Blind persons allowance	£2,520

The respective allowances above have various criteria which you must meet to be eligible to receive.

In addition to the above allowances, some sources of income are exempt from tax such as:

- income from tax-exempt accounts, like Individual Savings Accounts (ISAs) and National Savings Certificates.
- Some social security benefits such as housing benefit and winter fuel allowances for pensioners. Care should be taken as some benefits are taxable.
- Premium Bonds or National Lottery winnings.
- Rent received from a lodger in your house that's below the Rent-a-Room limit (£7,500 pa).

Capital Gains Tax (CGT)

Once you become UK resident you are fully within the scope of UK Capital gains tax (CGT) so you could potentiallybe liable to CGT on disposals of assets located anywhere in the world, not just your assets located in the UK. While you're not UK resident you will generally only be subject to UK CGT on sales of UK land and property or UK assets used in a trade.

A review of your assets and investments is crucial to ensure any tax efficient restructuring is undertaken before you become UK resident. If you have been non-UK resident for less than 5 years you would be considered temporarily non-resident. If this is the case, advice should be taken as certain capital gains realised during your period of non-residence may be subject to UK tax.

The rate of capital gains tax payable depends on the nature of the asset sold and the rate at which your income is taxed. Individuals are generally entitled to a CGT tax-free annual exemption, currently £12,300 for the 2022/23 tax year. Capital gains above the annual exemption CGT is payable as follows:

Tax bracket	CGT rate on other assets	CGT rate on residential property
Basic rate payer	10%	18%
higher or additional rate payer	20%	28%

Special rules apply for the sale of UK land and property which differ for UK residents and non-residents. These sales generally need to be reported to HMRC within 30 days of the sale together with the payment of any tax.

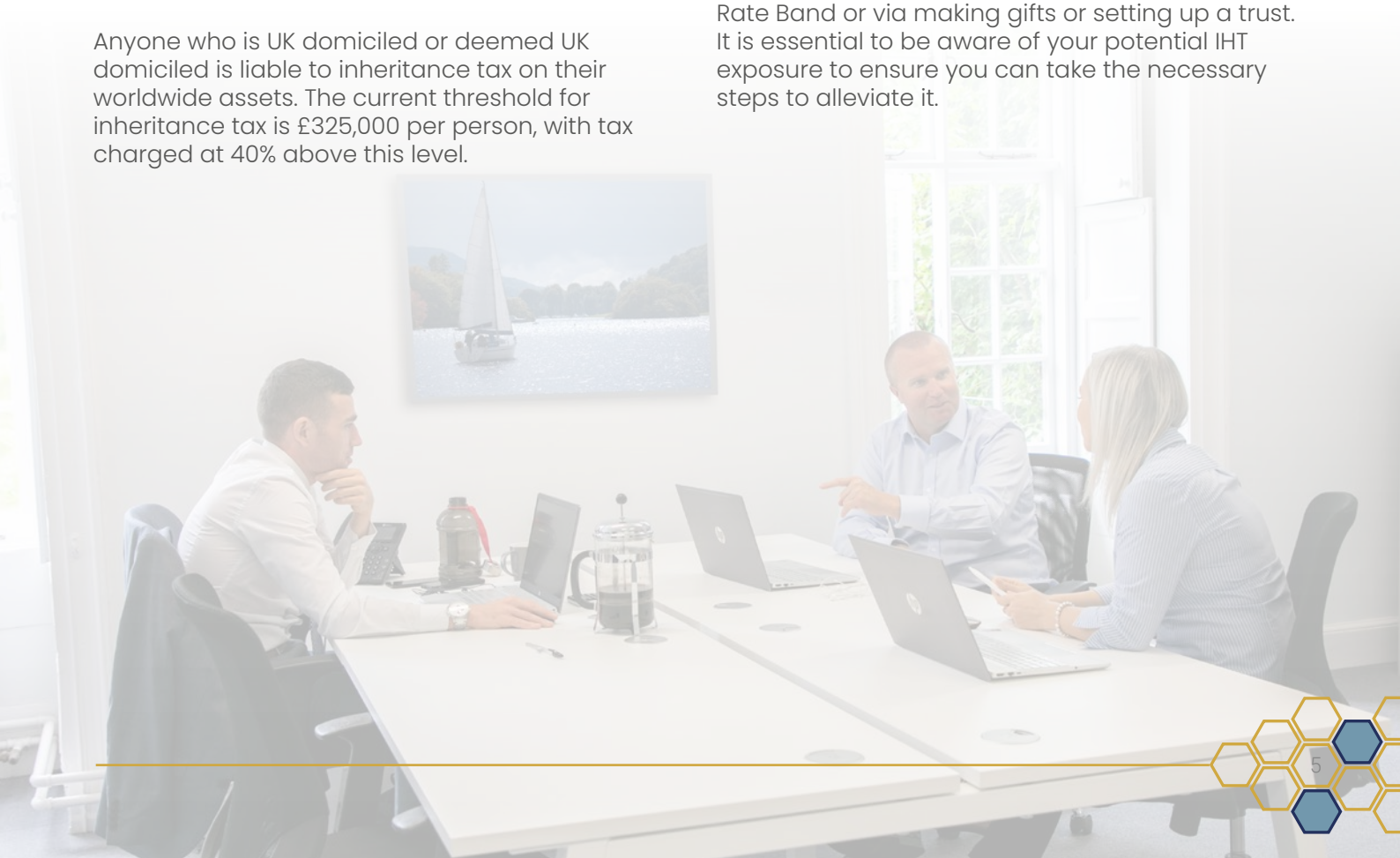
With careful planning ahead of becoming UK resident, in some cases it may be possible to make significant tax savings if land or property is sold when non-UK resident. However, this professional advice should always be taken ahead of a sale.

Inheritance Tax

Your exposure to UK Inheritance Tax (IHT) is determined by your domicile status and not your residence.

Anyone who is UK domiciled or deemed UK domiciled is liable to inheritance tax on their worldwide assets. The current threshold for inheritance tax is £325,000 per person, with tax charged at 40% above this level.

In addition to the £325,000 allowance there are a number of ways of mitigating a potential IHT liability such as utilising the new The Residence Nil Rate Band or via making gifts or setting up a trust. It is essential to be aware of your potential IHT exposure to ensure you can take the necessary steps to alleviate it.



Stamp Duty Land Tax (SDLT)

Stamp Duty Land Tax is a tax to pay if you buy a property in England or Northern Ireland. Please note, different rules apply for purchases in Scotland and Wales.

Different rates of stamp duty are charged on the portion of a property's value within price bands.

For people who are not buying their first home, stamp duty usually only applies to purchases of residential properties over £125,000.

First-time buyers are eligible for a stamp duty relief if they purchase a property of £500,000 or less that they intend to use as their only or main residence.

Professional guidance on SDLT should be sought from a qualified solicitor.

National Insurance (NI)

You pay National Insurance contributions to qualify for certain benefits and the state pension. You may want to pay voluntary contributions if you have been living or working overseas to ensure you qualify.

If you're uncertain about your current entitlement, you can request a state pension forecast from the national insurance office. This forecast will confirm how many qualifying years you have and any missed years which you can still make voluntary contributions towards. It may be possible to make voluntary contributions for years you have not paid sufficient NI.

Planning for Success

As you can see whether moving back to the UK or coming to live in the UK for the first time, entering the UK tax system is a complicated business.

Your potential tax exposure can be hefty if appropriate planning is not undertaken to ensure you don't pay more than you need. Before becoming UK resident, and in conjunction with a tax adviser, you should ensure you:

- Identify the date you will become UK resident for tax purposes.
- Review all your assets, and income streams to understand how they will be taxed once you become UK resident.
- Consider the appropriate restructuring of your assets such as pensions, properties, investments and life assurance, taking advice from a qualified financial adviser where appropriate.
- Identify and undertake any pre-residence planning opportunities available to you.
- Make certain all your tax reporting obligations with HMRC are up-to-date.

Local Jurisdiction

This guide has quite rightly focused on the UK tax implications of a move, but it is important to have due regard for the country you're leaving. Professional advice in the local country should be sought so that you can leave with peace of mind knowing your local tax affairs are complete.

Each country has its own respective tax regime and often these regimes will have contrasting tax years. Becoming UK resident does not mean that you will not be UK resident for tax purposes in a second and theoretically even a third country.

If you are dual resident it is important to check the double taxation treaty between the respective countries to ensure you don't overpay tax. This is a complicated area which you should seek professional guidance on.

Non-Tax Considerations

Financial Planning

Like tax planning, returning to the UK after living abroad needs careful financial planning and preparation. The optimum time to begin this process is 12-18 months before your move, this will help ensure you avoid making any expensive mistakes.

Effective tax and financial planning should be done in tandem. A key consideration when planning is how long you have been a non-resident. Depending on how long you have been living abroad, any income (including gains from the disposal of assets) that you bring into the UK could be subject to UK income and capital gains tax rules.

For example, if you have lived outside of the UK for fewer than five years and during that time you have realised some gains and you return to the UK, those gains could be subject to UK taxes when you return and become a UK tax resident again.

This is typically not the case if you have lived outside of the UK for more than five years, depending on the assets that you have sold. Usually the rule of thumb is to crystallise any gains prior to returning. Ideally pensions and protection are also reviewed at this stage. It is important to bear in mind everyone's situation and plans are unique to them and the consequent advice will be tailored to their specific needs and plans.

To help ensure a smooth transition to the UK, its imperative to seek financial planning advice from a UK FCA regulated adviser. They will have the correct permissions and will be qualified to advise you on UK savings and investment products such as ISA's, UK pension products and life assurance products.

Wills & LPA

It's very important to make a will whatever the extent of your assets. Your will lets you decide what happens to your money, property and possessions after your death.

Although you can make a will yourself, provided it's properly witnessed and signed, for such an important document, it makes sense to take professional legal advice to ensure your wishes are properly understood and carried out. There are many big events in life that may prompt you to write or update your will, such as marriage, purchasing property, illness or moving countries.

Another common legal document that you may need is a lasting power of attorney (LPA). This lets you appoint one or more people to help you make decisions or to make decisions on your behalf.

Money Transfers & Banking

Moving back to the UK usually means that you have to move money. If you already have a British bank account, you should be able to transfer funds directly to it. Bank transfers can sometimes be subject to bank charges or uncompetitive exchange rates.

Therefore, you may wish to consider using an online currency exchange specialist who may offer more competitive rates especially if you are transferring or exchanging significant sums.

Housing

Finding a suitable home can take time and you may need to plan a head before you return. If time is short, you may need somewhere temporary to stay such as a hotel, rented accommodation or with family.

If you want to purchase a property, you need to budget for all expenses involved such as legal fees, SDLT, estate agent fees and survey costs etc.

If you already have a UK property, then it may make things simpler, but you should remember to update the local authority as it may change your council tax bill. If your property has tenants, you will need to provide the appropriate notice period and follow correct procedures so the property is ready for you on time.

Medical

On returning to the UK, it is important to register with a local GP. GPs handle routine health checks and can also refer you to hospital-based consultants for specialist advice or treatment.

You do not need a GP referral to make an appointment to see a dentist. You can approach a dentist by searching on the NHS website to find someone local to you.

Most NHS services are free to but there may be charges for prescriptions, eye tests and glasses, and dental care. If you have care and support needs, you may be entitled to a local authority needs assessment.

Logistics

Moving your belongings to the United Kingdom can seem like confusing business. There's a varied range of transport options available and a crowded marketplace of relocation companies in the UK.

No matter where you're moving to the UK from, there are plenty of options to ensure your belongings arrive safely. There are, however, many factors to consider before choosing an international moving option to make sure you keep costs down, avoid damage and breakages and receive your belongings on time.

Most NHS services are free to but there may be charges for prescriptions, eye tests and glasses and dental care. If you have care and support needs, you may be entitled to a local authority needs assessment.

Once Here

Once you are resident in the UK, a lifetime of tax awaits and it's important to ensure you comply with your ongoing obligations. This will include checking if you need to file annual tax returns and ensuring these are filed accurately and on time. The filing deadline is 31 January following the tax year ending on 5 April.

You may benefit from professional assistance and prefer the reassurance of having a qualified adviser on hand.

Planning should continue after your arrival to ensure that you utilise available allowances, reliefs and respond to changes in the tax system to ensure you don't pay more tax than you should.

Please contact us for a complimentary consultation with one of the team

About Us

ATC Tax is an independent firm of UK tax advisors primarily based in the south west of the UK but with a global reach. Our team of experts has many years of experience, including extensive stints at a big four accountancy firm and a variety of regional firms, advising individuals based in the UK and overseas. Our team of experts has a thorough understanding of the UK tax system, how it applies to those living in the UK, and specialise in dealing with expatriates living and working overseas. We work with our partners to ensure your reintroduction to the UK is as smooth as possible.

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If you would like further information about our services or to arrange a no obligation telephone conversation, meeting or video conference, please contact us on either of the numbers below. Alternatively, email us directly with your query or visit our website.

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