ANDERSEN TAX

Moving to the UK

Pre-arrival planning

May 2020

Individuals moving to the UK should have a basic understanding of the UK tax system before they move, and consider pre-arrival planning to optimise their tax and avoid adverse consequences. The issues are especially important for Americans, who remain subject to US taxes and are therefore at risk of double taxation.

Domicile and Residency

Prior to arriving in the UK, an individual will need to know if they are 'non-UK domiciled' or 'UK domiciled'.

If they are non-domiciled, will they remain non-domiciled once they are in the UK?

An individual could become immediately domiciled in the UK if they are moving here permanently (or retiring here). Also, if an individual was born in the UK but emigrated overseas, upon returning to the UK they may be considered 'UK deemed domiciled'.

Arising vs Remittance basis

If an individual is non-domiciled, they have the choice between filing on the arising or remittance basis of taxation.

An individual claiming the remittance basis is generally taxed only on their UK sourced income and gains and any foreign income earned whilst UK resident, which is remitted to the UK.

The remittance basis allows individuals to keep their UK affairs simple. However, a charge of £30,000 is due if the remittance basis is claimed and the individual has been UK resident for 7 of the past 9 tax years. This charge rises to £60,000 after being resident for 12 out of 14 tax years.

Once a non-domiciled individual has been resident in the UK for 15 out of 20 years, they become deemed domiciled, at which point they can only file on the arising basis.

Under the arising basis, individuals are taxed on their worldwide income and gains. Individuals coming to the UK who are UK domiciled or deemed domiciled, can only file on the arising basis.

Non-UK Investments and Positions

Before arriving in the UK, individuals may need to resign from non-UK trustee and directorship positions to prevent the entities being brought into the UK tax net.

If the individual is UK domiciled or deemed domiciled, their overseas investments should be reviewed to ensure there is no mismatch between the UK and foreign taxation of the investments, since this could result in double taxation.

Whilst the 'remittance basis' can be highly beneficial, individuals need to be aware of the rules, which are complicated and are, to some extent, seemingly designed to trigger tax in unexpected ways.

Individuals may benefit from establishing a ' clean capital' account prior to arrival. This allows remittance basis filers to access foreign funds accumulated prior to becoming UK resident, without being subject to UK taxation upon remitting.

Specific issues for Americans

American citizens and green card holders face additional difficulties, for example:-

- Mismatch between UK and US treatment of investments e.g. US LLCs, US tax-exempt interest, Incentive Stock Options, trust income/distributions and most US mutual funds.
- Certain issues can be avoided by claiming the remittance basis, whilst available.
- Long term residents (> 15 years) can face economic double taxation unless they undertake restructuring.

Other Considerations

- **Estate planning:** Potential UK Inheritance Tax exposure if the individual dies holding UK assets or is domiciled in the UK at the time of death.
- **UK tax reporting:** Ensure records are kept should HMRC ever challenge an individual's tax filings, e.g. bank statements, flight documentation, copies of advice.
- **Non-tax issues:** Immigration, obtaining a visa, schooling, insurance of high value assets, real estate searches, staff administration and record keeping.

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