



AN EXPAT'S GUIDE TO
MOVING TO THE UK





Introduction

Whether you are returning to the UK after a period overseas or moving to the UK for the first time there so much to think about. Amongst everything else that is going on with your move don't forget UK tax. The UK tax system is complicated and confiscatory; careful planning will help you avoid mistakes and prevent unnecessary and unexpected UK tax bills.

Becoming UK tax resident

As a long term non-UK tax resident your UK tax liabilities will be limited to income tax on any UK sources of income and capital gains tax on the disposal of UK land and property, any overseas income and any other capital gains made are exempt from UK income tax and capital gains tax (UK Inheritance Tax is discussed later in our guide).

One of the most important considerations for your move is when will you become UK tax resident? From the date you become UK tax resident you could, potentially, be liable to UK income tax and UK capital gains tax on your worldwide income and gains as they arise. Understanding the date you will become UK tax resident is the first step in your plan to reduce your exposure to tax when you move to the UK.

When planning your move to the UK there are many different considerations, for example:

- When will you move?
- Will your family move ahead of you – for example to settle children into school?
- When will your home become available for you to live in?
- When will you give up your home overseas?
- Is this a permanent move or, for example, a temporary secondment to the UK for work?

These will be likely to be your priorities; however, it is important to bear in mind that some of these steps in your plan could trigger a UK tax residence status for you and bring you fully into the UK tax net before you anticipated and planned for.

There are complex rules that determine the date you will become UK tax resident and actions such as starting to have a home in the UK, starting full time work in the UK, ceasing to have a home overseas, your spouse or partner ceasing overseas work or the start of a new tax year could all be dates that trigger UK tax residence (and, potentially, UK tax liabilities on worldwide income and gains for you). Seeking professional advice to help you understand the date you will become UK tax resident is essential.



Are there actions you can take before becoming UK tax resident that will reduce your UK tax bills after your move?

The first thing to consider is whether or not you will be caught for the "Temporary Non Residence" rules. These rules bite if you were UK resident in four out of seven years (including part years) prior to leaving the UK and have not been UK tax resident for more than five years before becoming UK tax resident once more. If you are caught for the temporary non residence rules any assets owned before you became non UK tax resident which were disposed of or sold after you had become non UK tax resident will be charged to UK capital gains tax in the UK tax year in which you become UK tax resident once more. These rules also catch some types of income arising in or remitted to the UK. It is important to determine whether or not you are caught by the Temporary Non Residence rules and the impact these rules will have on your circumstances when you return to the UK.

Subject to the Temporary Non Residence Rules it is sensible to consider the following actions before you become UK tax resident:

- Sell assets and investments standing at a gain before becoming UK tax resident in order to reduce future charges to UK tax.
- Consider whether or not there are actions you can take in respect of both your UK pensions and non UK pensions before you become UK tax resident that would attract higher UK tax charges if undertaken after UK tax residence has been triggered.
- Explore whether or not you will save UK tax by selling or disposing of both UK properties and non UK properties before you become UK tax resident.
- Seek advice to understand the UK tax implications and any steps you may be able to take to reduce the UK tax liabilities for the receipt of ongoing cash bonuses, long term incentive plans, deferred remuneration and share vestings in respect of your employment income.
- If you are entitled to receive a termination or gratuity payment seek specialist advice to ensure any UK tax implications, and actions to mitigate any UK tax implications, have been fully understood. If you are UK tax resident in any part of the UK tax year in which you become entitled to such an overseas termination or gratuity payment that payment will be subject to UK tax in full.

Time to think about Inheritance Tax

Inheritance Tax (IHT) has been called the most punitive weapon in HM Revenue's arsenal with a flat rate of, generally, 40% on assets you leave to your intended beneficiaries. However, with careful planning, your IHT bill can be reduced or even eliminated altogether.

While you are based overseas you may find planning to pay less IHT, ensuring your intended beneficiaries receive more of the wealth you have built up over your lifetime, may be easier. While you are non UK resident you may face less tax costs (for example Capital Gains Tax) for restructuring your assets to reduce your IHT liability and ensure tax efficient succession planning. Therefore, it is sensible to consider whether or not you can take any action to reduce your exposure to IHT before you become UK tax resident. Our guide to IHT can be found here: [Link](#)

Inheritance Tax is determined by your UK tax residence history as decided by the Statutory Residence Test. Our guide to the Statutory Residence Test can be found here: [Link](#)

Living a tax efficient life in the UK

Moving from a low tax regime to the complicated and confiscatory UK tax system can be something of a shock. However, with careful planning and the right advice there are strategies that can reduce your UK tax bill:

- UK pensions – if you are working you (and your employer) may be able to make contributions to a pension fund. Such contributions attract tax relief and the pension fund itself will grow free of income tax and capital gains tax. However, you will not, generally, be able to take money from your pension fund until retirement age and the withdrawals made may well be subject to income tax.
- Individual Savings Accounts (ISA's) – while you are non UK tax resident you are not able to make contributions to ISA's but once you have moved to the UK you will then be able to fund ISA investments. Adults are able to contribute £20,000 each to an ISA every year. A wide range of investments can be held in ISA's. Income and gains arising from investments held in an ISA are free of income tax and capital gains tax.
- As a UK tax resident you will be exposed to high rates of UK tax on your income and gains. There are government designed schemes that encourage individuals to make venture capital investments, the Venture Capital Trust scheme, the Enterprise Investment Scheme and the Seed Enterprise Investment Scheme. These schemes have various tax advantages between them covering income tax, capital gains tax and inheritance tax.
- You and your family have a tax free personal allowance, savings allowance, a dividend allowance, a capital gains tax exemption and inheritance tax allowances that are available each year on a "use it or lose it" basis. It is sensible to ensure all available tax allowances are used each year as far as it is possible to do so.





- If you are in the fortunate position that your income and gains arising from your investments will exceed your available tax allowances it may be sensible to consider a different type of vehicle to hold a portion of your investments. For example, an offshore portfolio bond will allow you to hold cash and investments in a way that protects the income and capital gains made on your investments from UK tax until the time you choose to make withdrawals from the investment. Helpfully, as long as withdrawals are within an annual withdrawal allowance (generally 5% of the original investment made) there is no UK tax on withdrawal until you have fully drawn down your original capital.
- If you have been non UK tax resident for more than ten years, in the first four years of your move to the UK you will have the opportunity to exclude your non UK income and non UK gains from UK taxation under the Foreign Income and Gains regime.
- And during that first four years following more than ten years of non residence you also have access to Overseas Workdays Relief. This is a valuable relief that exempts the salary you receive for your non UK workdays from UK tax.



Next Steps

You may have been living and working overseas building up wealth in a low tax environment. Moving to the UK and becoming entangled in the UK tax net does not mean that your wealth, income and gains need to be eroded by the complex and highly confiscatory UK tax regime. With careful planning and the right advice you can lead a tax efficient life in the UK. We will be delighted to help you plan your move to the UK.

Please contact us at info@metisfp.com if you have any questions about UK tax, wealth management or succession planning.

Please note this is a general guide to some of the tax implications of moving to the UK and is not advice that can be relied on. It is important that you seek specific advice for your own circumstances.