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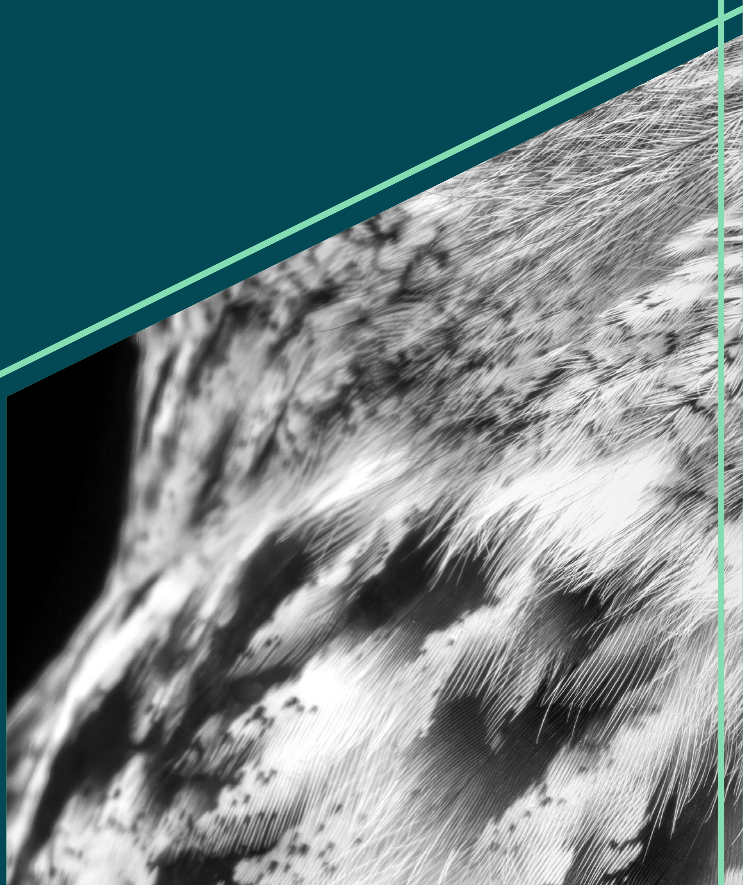
AN EXPAT'S GUIDE TO

LEAVING THE UK



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What you'll learn in this guide

Choosing to leave the UK is a big step, and there will be a number of considerations to research and decisions to make before you head to your new home.

As well as understanding what needs to be handled from a logistical perspective, there will be a new country to get to know and customs to learn. It is worthwhile considering what changes you should make to your financial arrangements in order to make the most of your time as an expat.

This guide is here to help.

Before leaving the UK

Regulations and laws vary widely between countries, so it's important to do your research to understand the differences between the UK and the country you are moving to.

A useful step is to contact the appropriate embassy or consulate who can share relocation information. Some of the areas you might need to consider include:

Shipping your possessions and pets
Choosing whether or not to take possessions or pets with you to your new home does need careful thought. International cargo movers are highly skilled at what's possible in terms of furniture and personal effects and will be able to guide you through the inevitable paperwork needed. Don't forget to factor the cost of global shipping into your financial plans.

Visa requirements

Most countries will need a visa or work permit to be issued, ahead of your move. Do check if your new employer will cover the visas you and any of your family needs. If not, you'll need to speak to the relevant embassy to understand the process of applying for the visas required or engage with a specialist relocation agent.

Living costs

Take some time to research the living costs in the country you are moving to. Think about travel costs to and from work, taxes, rent, schooling, medical insurance, food and utility bills and compare them with your current cost of living. This will prepare you for what to expect, and you may be able to factor your findings into any salary negotiation.

Education

If you have children of school age it will be vital to consider what options are available and the cost of schooling. Good schools can be over-subscribed, and it will be important to thoroughly investigate and, if possible, visit your options to determine the best place to educate your child or children.

Wills

It is important when moving away from the UK to update your current Will to ensure it continues to reflect your wishes. As an expat, your financial circumstances are likely to become more global and therefore you may require Wills in other jurisdictions outside of the UK. For example, if you were to purchase a property in the Middle East, this asset may not be covered under your UK Will and you would likely require a local Will. This is a complex area and therefore you will need to ensure you gain specific advice around your personal circumstances from an expert.

Guardianship

When putting in place guardianship for your children, it is important to state this in your UK Will as well as any other Will you might create in your new country of residence. If the legally appointed guardian doesn't live in your new country of residence, it may be worth stating a temporary guardian in the event of your death, so that they can look after the children until your legally appointed guardian can arrive to make arrangements for them.

Pension contributions

In most cases, pension contributions are related to your UK earnings and therefore most expats will generally only be able to make contributions to their UK pension scheme for the first five years they are living overseas. The pension contributions they are able to make are likely to be capped at £3,600 per year during those first five years living overseas. Therefore, it's unlikely that you will be building pension assets as you would have in the UK. Some employers may offer some sort of alternative savings scheme, but this is usually a benefit rather than a legal requirement such as workplace pensions in the UK, and are unlikely to benefit from tax relief on contributions (which is a major benefit to UK pensions). As such, you need to be more proactive about building retirement savings yourself to plan for future years.

Key tax considerations

There are a number of tax considerations to be aware of when moving abroad. Understanding the rules in the UK, and the country in which you're going to be living or working in is very important. Here are some key things to consider.

Will you become non-UK tax resident?
The amount of UK tax you pay is determined by your UK residence status. If you are UK tax resident you are, potentially, taxed in the UK on all your income and gains arising anywhere in the world (including overseas employment income). If you are not UK tax resident your liability to Income Tax could be limited to UK sources of income only and your liability to UK Capital Gains Tax could be limited to the disposal of UK land and property with all other income and gains being exempt from UK tax provided various conditions are met.

Understanding when you will become non-UK tax resident under the complex "split year treatment" rules and how a non-UK tax residence status can be maintained is a key part of your plan to live abroad. If you live overseas, and also spend time in the UK, it is important to know your limits for visiting the UK each year in order to maintain a non UK tax residence status.

It is best to seek advice from a professional to give you peace of mind in this complex area of tax planning.

Reporting to the tax authorities

You should notify HMRC, the UK tax authority, if you're moving overseas. A P85 form notifies HMRC that you are leaving the country and helps ensure that you'll be taxed appropriately in the UK. You may also need to complete annual self assessment tax returns to disclose the date you became non UK tax resident and report your visits to the UK and any ongoing sources of UK income and gains on UK land and property while you are living overseas.

TAX TIP

If you're not a UK tax resident but occasionally work in the UK, you may be charged UK tax on your UK work days. Careful tax planning may be needed, and there are special tax rules for certain types of employment income including work in the oil and gas sector.

Tax treaties

The UK has various tax agreements to help avoid you paying tax in both the UK and another country on the same income and gains. Your tax adviser will be able to help you claim relief from being taxed twice on your income and gains. The UK has signed double tax treaties with around 130 countries to date.

Capital Gains Tax

Capitals Gains Tax (CGT) is charged if you sell or gift an asset. If you're concerned about CGT, it's important to understand what your potential burden might look like, bear in mind that UK non-residents pay CGT on any profits from the disposal of UK land and property.

If you are non UK tax resident for less than 5 years you may be caught by the "Temporary Non Residence" rules. These rules may charge CGT on gains made on assets during the time when you were non resident in the year that UK tax residence is resumed.

Inheritance Tax

Inheritance Tax (IHT) is determined by your UK tax residence history as determined by the Statutory Residence Test. The rate of IHT is generally 40%. Our guide to the Statutory Residence Test can be found here: **Link**

All UK assets are potentially chargeable to Inheritance Tax irrespective of your UK tax residence status and UK residence history. If you have been UK tax resident in at least 10 out of the last 20 UK tax years immediately preceding the tax year in which the chargeable event occurs, generally, your overseas assets are also caught for IHT as well as your UK assets. If you have not been UK resident in 10 out of the last 20 UK tax years before the chargeable event you will only face IHT on your UK assets; your non UK assets will not be caught for UK IHT (but please do be aware of any estate, gift or inheritance taxes which may apply in any other relevant country for you).

When you leave the UK, if you have been resident in the UK for 10 out of the previous 20 UK tax years, your overseas assets could remain within the charge to IHT for a further 10 years. However, if you only lived in the UK for between 10 and 19 years before leaving, the length of time your overseas assets remain within the scope of IHT may be shortened. Our guide to Inheritance Tax can be found here: link to IHT guide

Owning or renting your UK property

Many British expats choose to keep a foothold in the UK by holding on to the family home, renting it out or buying an investment property whilst living overseas. Some of the key considerations are:

Stamp Duty

Stamp Duty Land Tax (SDLT) is paid when purchasing property in England and Northern Ireland, and there are equivalent taxes in Scotland and Wales. Stamp Duty surcharges can apply when purchasing an additional property and for purchasing a UK property as a non-UK tax resident. Generally, higher rates don't apply if:

- At the end of the day of purchase you only own one residential property between you anywhere in the world.
- You are buying a new main residence to replace your existing main residence.
- You purchase a new main residence but don't dispose of your existing main home straightaway. You must dispose of your previous home within 3 years of the purchase of your new home; then the Stamp Duty surcharge paid can, generally, be reclaimed. It's worth noting that any property you own in the world will be taken into consideration when establishing whether a property you've purchased in the UK is an additional property.
- Married couples and civil partners who purchase property are considered as a single 'unit' when calculating higher rates. Generally, a married couple will have a single shared main residence but if one of the couple purchases or owns or has an interest in other residential properties the higher rates may apply.

Owning an investment property

If you've purchased a UK property as an investment any profit from letting the property remains taxable in the UK even when you are UK non-resident. However, if your intention is to purchase a property, renovate it and then sell it shortly afterwards, the tax implications are very different. Any profit made on selling such a property is likely to be charged to Income Tax as trading income rather than attracting a charge to Capital Gains Tax.

The Non-Resident Landlord Scheme

Special rules apply if you're a non-UK resident landlord and receive rental income. The Non-Resident Landlord Scheme (NRLS) outlines the rules. If you live overseas and let a property using an agent they must follow the scheme rules and deduct basic rate tax from your rental income before they pass it on to you whether or not you are due to pay tax on that income. You can offset this tax against your tax bill at the end of the year when you submit your annual tax return.

Under the Non Resident Landlord Scheme you can apply to HMRC to receive any rental income gross with no tax deducted. If this is the case any tax due on your rental income will be paid through the annual tax return process.

Selling UK property whilst living overseas

If you're selling a UK property, you may face CGT. The charge is based on the gain arising from 5 April 2015, for long-term non- residents. The tax is calculated in one of three ways:

1. Using the market value of the property on 6 April 2015
2. A simple time apportionment
3. A deduction of the cost of the property from the sale proceeds

You must submit a Capital Gains Tax return to HMRC and pay any tax due within 60 days of the sale or disposal of the property.

Other financial considerations before you go

Don't forget to consider the following:

Individual Savings Account (ISAs)
ISAs offer a tax-free way to save and can be a valuable addition to your investment portfolio. If you have an ISA it may make sense to top it up before you leave the UK. Making use of your annual ISA allowance is sensible before moving abroad as you cannot continue to do so as a UK non-resident. You can then continue to manage the investments within the ISA whilst living abroad.

It is worth noting that, as long as a Junior ISA is set up while the child is UK tax resident, contributions can continue to be made to that Junior ISA even if the child is no longer UK tax resident.

National Insurance contributions
National Insurance will entitle you to the UK State Pension in later life. You can make voluntary contributions after you have left the UK, and it's worth bearing in mind that you need a record of 35 years of contributions to achieve the highest rate of State Pension.

Personal allowances
The UK tax system includes a variety of personal allowances, which generally aren't lost when you leave the UK, providing you have a British Passport.

What to do when you move?

Banking and financial planning
One of the first things to arrange is a bank account to help you with day-to-day payments, and ongoing financial requirements. You may need to set this up ahead of time, to pay for things such as a deposit on a rental property, or a car lease.

It's useful to leave your bank accounts in the UK open. These funds can then take care of any future UK transactions and can be helpful if and when you return to the UK or when visiting the UK.

Renting or purchasing a property
Choosing where to live is an important decision. You may want to consider a short-term rent so that you can find your feet, and then decide where the best location is for you and your family. Other expats, or colleagues, might be able to offer some good advice about where to consider, and recommendations of which agents to work with whether you are renting or buying.

Medical insurance
Researching medical insurance and health care options is a useful step so that you understand what cover you're entitled to as a resident. Healthcare can vary enormously between countries, so thoroughly check what to expect. In some countries, companies offer medical cover for employees and direct family members but if not you'll need to make alternative arrangements to ensure you and your family have appropriate health cover.

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Foreign exchange rate (FX) considerations

As an expat, it may be best to invest in the currency you plan to use in the future. For example, if you move to Singapore for a period of time for work, but intend to return to the UK, it may be beneficial to invest in Sterling to minimise any exchange rate risk when moving money back to the UK at the end of your time abroad. There are a number of FX companies that are highly competitive and provide great options for expats, but it's important to do your research when selecting a company to help you. Be mindful that exchange rates offered by banks may not be as competitive or beneficial as other providers.

Home insurance

Take some time to review what insurance cover you'll need in your new country of residence. If you're renting it may be less complicated, but make sure you are protected adequately.

In addition, if you continue to have a property in the UK, ensure that your insurance will continue to offer adequate coverage while you are living overseas.

Travel and life insurance

Don't forget to reassess your travel and life insurances, especially given your changed circumstances. It can also be useful to look into an annual travel policy if you'll frequently be returning to the UK for work or personal visits.

What next?

Becoming an expat offers a chance to explore a new country, culture and working environment. Planning ahead and taking control of your financial position, will leave you free to enjoy your new lifestyle and the experiences it offers. It can also mean that you are in a good position if and when you decide to return to the UK.

Getting the right financial planning in place will make your move overseas a much smoother process. We can help support you before, during and after your move.

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 leaving the UK to live and work overseas and is not advice that can be relied on. It is important that you seek specific advice for your own circumstances.