

## Individuals Moving to the UK

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In this article we consider taxation issues which may need to be considered by persons coming to the UK and some of the steps which can be taken ahead of and / or shortly after becoming UK resident.

### ARRIVAL DATE

The UK tax year runs from 6 April to 5 the following April, which often does not tie in with other tax jurisdictions, most of which are on a calendar year basis.

The date on which you become tax-resident in the UK is determined in accordance with the UK's Statutory Residence Test, which is a somewhat complex three-stage legislative test mainly based on day count and circumstances. If applied correctly, the test gives a clear determination of UK tax residence for any particular tax year.

If you determine that you are UK tax resident for the year, you can then consider whether 'split year' treatment applies, such that you are only treated as UK tax resident for the post-arrival part of the tax year, or whether any treaty relief claims needs to be made if you are also tax-resident in another jurisdiction.

Ahead of coming to the UK, it is important to consider the UK's Statutory Residence Test and the split year provisions in order to assess when you will become UK tax resident and to ensure the best possible tax outcome, both in the UK and in your home jurisdiction.

### REMITTANCE BASIS/ FOREIGN INCOME AND GAINS (FIG) REGIME

The remittance basis has historically been a very efficient way for UK resident but non-UK domiciled persons to pay tax in the UK. Those claiming the remittance basis are taxed in the UK on their UK income and gains as they arise, but any non-UK income or gains are only taxed to the extent that they are brought to, received in, or used in the UK. This allows some non-UK domiciled individuals to exempt from UK tax a proportion of their non-UK income and gains.

Until 5 April 2017 the remittance basis could be claimed indefinitely, but from 6 April 2017 it became time-limited to the first 15 years of UK residence, with remittance basis charges of £30,000 or £60,000 being payable to continue making the claim after seven or twelve years of UK residence respectively.

From 6 April 2025, the government have proposed that a new Foreign Income and Gains (FIG) regime will replace the remittance basis. This is intended to be a residence-based regime and the ability to claim will depend on the individual having been non-UK resident for the last ten years. It is proposed that qualifying individuals' non-UK income and gains will be exempt from UK tax for the first four years of UK residence regardless of whether or not the income and gains are remitted to the UK.

Clearly, the availability of reliefs which exempt non-UK income and gains of new arrivals from UK tax may be a determining factor if there is an element of choice in relation to a move to the UK. Up to date information on the proposed new FIG regime should be sought before coming to the UK as the situation is changing quickly and is driven in large part by the forthcoming UK general election.

### TAXATION OF EMPLOYMENT INCOME IN THE UK

Employees who come to the UK should, together with their employers, seek advice in relation to the taxation of employment income.

Non-UK employers will need to assess whether they need to set up and operate a UK payroll, and perhaps make adjustments in order to avoid any double taxation across jurisdictions with reference to appropriate tax treaties.

Employees may be able to benefit from Overseas Workday Relief (OWR) and they should consider whether any changes to their employment arrangements are required before arriving in the UK. OWR allows an employee to protect employment income from UK tax to the extent that the income relates to work performed outside of the UK, and where that income is not remitted to the UK (or, from 6 April 2025, it may also be possible to remit the income to the UK and not pay tax on that income).

If the employee is being seconded to the UK for two years or less, they may be able to claim tax relief for certain types of expenditure, such as rental payments and travel costs, under the Detached Duty Relief provisions.

## GENERAL INCOME TAX PLANNING

Moving between tax jurisdictions may mean significant changes to how your income is taxed. The timing and method of receiving income may need to be adjusted to suit your new status as a UK tax resident. For example, this could involve adjusting the proportion of income from your company that you receive as employment income versus as a dividend, or accelerating the receipt of income where you have control over the timing of any receipts.

### REBASING ASSETS

You will become liable to capital gains tax on assets you dispose of at a gain once you are UK tax resident (subject to any remittance basis election or, potentially from 6 April 2025, Foreign Income and Gains (FIG) regime claims of persons who have been non-UK resident for 10 years or more).

Any gain is calculated by reference to the cost of the asset when originally acquired, even though the asset may have been purchased many years ago whilst not UK resident and therefore most of the gain accrued whilst non-UK resident.

There may be a one-off opportunity to uplift the base cost of such assets before becoming UK resident. This might be as simple as disposing of and reacquiring the assets, but other options are also available depending on the type of asset and the particulars of your situation.

Again, advice should also be sought in your local tax jurisdiction as this planning is unlikely to be suitable for persons coming to the UK from a tax jurisdiction with high capital gains tax rates, nor for US persons who are taxed on their worldwide income and gains regardless of their residence position.

### NON-REPORTING OFFSHORE FUNDS

Gains arising from “non-reporting offshore funds” (i.e. non-UK collective investments which have not registered with HMRC) are liable to income tax at rates of up to 45%, rather than to capital gains tax at current rates of up to 20% as is the case with most other investments. It may be worth reviewing investment portfolios and divesting of this type of asset ahead of a move to the UK.

### OFFSHORE STRUCTURES

You may already have offshore structures in place such as trusts, holding companies or investment wrappers. These must be reviewed prior to your arrival in the UK as they may no longer be appropriate. It may not be sufficient simply to avoid distributing from these structures whilst UK tax resident as they are not always taxed on a distribution basis.

Ahead of coming to the UK is also the time to consider whether to create any offshore structures to assist with your UK and non-UK tax planning. For example, individuals coming to live in the UK for the first time who hold substantial cryptoassets in their own name and intend to claim the Foreign Income and Gains regime may consider transferring those investments to a non-UK entity in order to ensure that the income and gains have a non-UK source.

### ESTATE PLANNING

Those who are non-UK domiciled will, broadly speaking, be liable to UK inheritance tax (IHT) on death at a rate of 40% of their UK situs assets. Their non-UK situs assets will not be subject to UK IHT.

Under proposed changes to IHT rules, from 6 April 2025 an individual will become liable to UK IHT on their worldwide assets once they have been UK resident for ten years. It will therefore be important to consider options to manage exposure such as making gifts and life insurance. A UK will to cover UK assets (and worldwide assets in due course) should generally be prepared.

### MANAGEMENT OF NON-UK BUSINESSES

An individual coming to the UK may intend to manage their non-UK businesses from the UK. Great care is required in this regard as a business, regardless of where it is situated, can be treated as UK tax resident if HMRC deem that it is being “centrally managed and controlled” from the UK. Advice should be sought ahead of any move to consider steps which can be taken to prevent non-UK businesses coming within the scope of UK tax if they will genuinely continue to be managed from abroad.

### TEMPORARY NON-RESIDENCE

The temporary non-residence rules can bring within the charge to UK tax certain income and gains arising during a period of non-UK residence of six years or less.

Where an individual is returning to the UK less than six years after having left, they may need to take advice before any return to determine the extent that to which they fall within these rules.

## ADMINISTRATION

You may need to consider some or all of the following points as part of your move to the UK:

- Registering with HM Revenue & Customs (“HMRC”)
- Preparing and submitting annual Self-Assessment tax returns
- Determining whether you are required to pay National Insurance (social security) contributions, and applying for a National Insurance number
- Establishing and operating a payroll for any household staff
- Registering any business which you intend to operate from the UK with Companies House and HMRC
- Preparing accounts and tax returns for businesses which you own
- Determining whether a VAT registration is required

It is important that there is a connected approach with any advice taken. When advising individuals coming to the UK, we are able to put them in touch with, and work alongside, other UK or non-UK based advisers, such as lawyers, investment managers, bankers and property agents, to assist with all aspects of the move, such as tax advice, wills and visas. We also liaise closely with existing advisers from whichever jurisdiction clients are coming from to provide advice which is joined up across relevant tax jurisdictions.

### SUMMARY

Whether you are returning to the UK after a lengthy stay abroad or are moving to the UK for the first time, it is important to take professional advice ahead of making that move in order to avoid potentially costly taxation and legal issues. Any advice and planning should ideally both be completed in the tax year before moving to the UK, and so it is important to begin taking advice relatively early in the process.

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