

Becoming tax resident in the UK

A guide for international,
high net worth individuals



Mishcon de Reya

A brief guide for international, high net worth individuals

When you're thinking about moving to the UK there is a small window of opportunity for tax planning before you become a UK tax resident. People who are UK tax residents are treated differently from those who are not UK tax residents in terms of the amount of tax they have to pay in the UK. If you make your home in the UK, it is likely you will become UK tax resident.

Am I a "non-dom"?

If you were not born in the UK and neither were your parents, and you do not consider the UK to be your long term home, then you are very likely to be a non-domiciled individual, or a "non-dom". If you are a non-dom, you will need to look carefully at whether you are resident or are likely to become resident in the UK for tax purposes as this will affect the amount of UK tax you will pay.

What happens if I am classed as a "non-dom"?

There are certain tax advantages that you may benefit from if you are classed as a non-dom. For instance, you will not normally be taxed on your non-UK income or capital gains, provided that you do not bring them into the UK.

What tax will I be required to pay if I am not tax resident in the UK?

Any income (but not gains) you make in the UK will always be taxed in the UK whether or not you are tax resident in the UK. If you are a non-dom and while you are not tax resident in the UK, you can bring any non-UK money into the UK free of tax. This is why it is extremely important to seek advice before you

become tax resident in the UK. Structuring your wealth in a tax-efficient way will help you minimise expense in future years.

Under which circumstances will I not become tax resident in the UK?

The test for UK residence is complicated and you will need advice to decide whether or not you are tax resident. Please note that some categories of immigration visa require you to spend minimum amounts of time in the UK which will mean you are likely to become tax resident.

How will I become tax resident in the UK?

In general if you spend 183 days or more in the UK in any tax year you will automatically become tax resident in this country. UK tax years run from 6 April to 5 April. If you spend more than 46 days in the UK in a tax year you may become tax resident depending on other connections with the UK such as whether you have property or close family in the UK and how many days you have spent in the UK in previous years. This is a complex area and you will need advice to work out whether or not you are tax resident.

What tax will I be required to pay once I become tax resident in the UK?

Any income or gains you make in the UK will always be taxed in the UK. If you are a non-dom and tax resident in the UK and you bring money in from another country, you will normally have to pay income tax at up to 45% or capital gains tax at 28% on that money. If you have money outside the UK, you will not pay any tax in the UK on that money.

Does my tax status change once I have been living in the UK for a while?

Once you have been tax resident in the UK for at least seven years, as a non-dom you will have to start paying a fee every year to continue to not be liable to UK tax on your income and gains in other countries, starting at £30,000 per year.

What is inheritance tax and do I have to worry about it?

UK inheritance tax is payable on all of your assets situated in the UK when you die – even if you are still a non-dom. It applies whether or not you are tax resident in the UK. It is also sometimes payable on trusts or gifts made by you during your lifetime. The tax is payable at 40%. With proper advice there are ways of minimising inheritance tax. If you are resident in the UK for many years, inheritance tax advice becomes extremely important as inheritance tax can then apply to everything you own worldwide.

What about the tax I have to pay in my home country?

In many cases, you will also need to consider your tax position in your home country. This will need to be co-ordinated with your UK tax advisors to ensure the most tax-efficient outcome.

Can I preserve my confidentiality?

Our clients value their privacy and confidentiality. If you require tax advice we will work with you to ensure that your affairs remain confidential. We can assist in setting up offshore trusts, companies and foundations.

For more information on the tax services offered by Mishcon de Reya please contact



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Disclaimer:

This is a very basic summary of a complex area of law and taxation. It is not to be taken as legal advice. Before acting or omitting to act in relation to your UK tax position, you should always take specialist tax advice.

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