

UK Tax Residence: Claiming the Remittance Basis

If you are UK resident but not UK domiciled, you can claim to be taxed on the remittance basis; your offshore income and gains, made whilst UK resident, will become only become liable to UK tax if they are remitted into the UK. Your UK income and gains will still be liable to UK tax.

Remittance Basis Charge

If you have been UK resident for seven of the previous nine years, before this tax year, you will be liable to pay the remittance basis charge (RBC). This is currently £30,000 per annum and from the 6 April 2012 this will be increased to £50,000 for individuals who have been resident for more than 12 of the previous 14 years.

Before you arrive

Income and Gains made before you become UK resident can be transferred into the UK without a tax charge. Once you become UK resident offshore income and gains will become chargeable to UK tax if they are remitted into the UK on RBC not claimed for a particular year.

Account Structure

It is recommended to structure your accounts so that income generated whilst UK resident is held in an account separate to 'clean capital'. In this case clean capital is capital, income and gains held or credited before you became UK resident. Mixing these two types of funds will trigger a UK tax charge when an amount is remitted to the UK.

UK / Overseas Credit Cards

To avoid unnecessary remittances you should consider setting up a UK credit card to be used in the UK and funded using UK sourced income and capital, and a separate foreign credit card to be used only overseas and settled using offshore funds.

What is a remittance?

A remittance is essentially a transfer of offshore funds to the UK.

This is taxable when made or received by a 'relevant person'. A relevant person can be you or your spouse / partner / cohabitee, your minor children or grandchildren. Additionally a close company in which a relevant person is a participant or a trust set up for the benefit a relevant person.

For example a remittance can be;

- Transferring money, loans or assets to the UK
- Receiving a payment in the UK
- The repayment of UK loans or of foreign loans which have been remitted to the UK
- Payment of a credit card used in the UK

Business Investment Relief

From April 2012 there is a government proposal that there will be no charge on remittances of foreign income or gains for the purpose of commercial investment in a UK business. It is likely that this will include investment by way of share capital and by way of loans in a wide range of businesses including trading, letting and property development businesses. If you

are connected to the business then there are likely to be few restrictions in place on the terms of the investment.

This newsletter is for general guidance only – action should not be taken without specific advice. Should you require further information, please contact us.