

# PARTNERS WEALTH MANAGEMENT

AN INTRODUCTION TO

## US - UK Investment and Financial Planning

DUAL TAX STATUS

WHAT ARE: FBAR, FATCA AND PFIC?

US MUTUAL FUNDS

UK RESIDENT NON-DOMICILE



Despite a long-standing tax treaty in place between the USA and the UK, which should minimise the chance of double taxation for individuals who find themselves taxable in both jurisdictions, there remain plenty of pitfalls.

We are able to offer a rare combination of independent investment advice, financial planning and advisor experience, in working with UK and US tax payers. The following is a guide to some of the key questions or items to be aware of.

### Do I need to file a US tax return?

If you are deemed by the USA to be an American, you will need to report your global finances to the IRS, even when living abroad. Typically, you will be deemed to be an American if:

- your parents were American;
- you were born in the USA;
- you acquired US citizenship; or
- you acquired a US Green Card.

### Do I need to file a UK tax return?

If you are resident in the UK, you will be liable to UK taxation on UK situs assets or income. Then, dependant on your domicile and whether you claim the remittance basis, you may also be subject to taxation on global assets. Please refer to our separate guides on residence, domicile and the remittance basis, and seek advice to ascertain your personal position.

### What is an FBAR?

US expats who have non-US bank accounts or investment accounts, may need to file a Foreign Bank Account Report (FBAR), otherwise known as FinCEN Form 114.

This should be completed for individuals with accounts holding an aggregate of \$10,000 or more. Failure to do so may result in penalties.

### What is FATCA?

The Foreign Account Tax Compliance Act (FATCA) came into force in 2010, with the intention of cracking down on tax avoidance on foreign assets.

Americans with foreign financial assets exceeding \$200,000 during the tax year need to complete Form 8938 alongside Form 1040.



### What is a PFIC?

A Passive Foreign Investment Company (PFIC) is subject to strict and complicated tax rules. Broadly, non-US collective investments such as unit trusts or funds will be classed as a PFIC. Holders will be subject to additional reporting and taxation in the US. ISAs which are tax shelters in the UK but looked through for US reporting, are often invested in UK funds which would be a PFIC.

### Should I just invest in US Mutual Funds?

This solves the PFIC issue in the US, but creates a different issue in the UK. Non-UK funds or funds without UK reporting status, are subject to adverse taxation in the UK. These funds will have profits (income and gains) being treated as Offshore Income Gains (OIGs), which can be taxed at up to 45%, rather than the more favourable allowances and rates otherwise applicable to dividends or capital gains.



## UK resident non-domiciled

As a US citizen you may well be UK resident but non-domiciled (see our Domiciles guide), which means there are additional potential considerations to optimise your position and reduce the overall level of taxation, especially in the UK.

Considerations may include reporting on the Remittance Basis (see our Remittance Basis guide) if you retain assets outside of the UK and considering options such as an Excluded Property Trust (EPT) to protect assets from UK Inheritance tax. However, as you will remain taxable in the USA, careful consideration of the potential benefits versus costs and restrictions is required.

In the Spring Budget 2024, the government announced the abolition of the tax rules for non-UK domiciled individuals to be replaced with a residence-based regime which will begin on 6 April 2025. The new regime is intended to be much simpler, ensuring that all UK residents who stay in the UK for over four years will pay the same tax on their foreign income and gains, regardless of their domicile status.

Due to the change in government in July 2024, there is potential for additional significant changes, some of which could take place in the near term. This heightens the need to take up-to-date professional advice before taking any action.

It is important that if you have questions regarding the new rules, or if you have historical offshore income and gains, you come and talk to us.

 We're here to help

There are plenty of other potential issues to consider or get advice on such as: ISAs, pensions, currency exchange, inheritance, trusts, etc. It is strongly recommended that

individuals with dual UK and US tax considerations seek expert tax and financial planning advice.

If you have any questions, or would like to discuss any issues relating to your circumstances or specific needs, please contact us on 020 7444 4030 or email [info@partnerswealthmanagement.co.uk](mailto:info@partnerswealthmanagement.co.uk)



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