PARTNERS WEALTH MANAGEMENT

AN INTRODUCTION TO

Pre-arrival planning

UNDERSTAND TAX RESIDENCY

ACTION TO TAKE BEFORE YOU ARRIVE

CONSIDERATIONS AS A UK TAX RESIDENT

Every year a significant number of individuals move or return to the UK. This will be for many different reasons but one of the most important things to consider is how this move impacts your tax status and your assets.

This guide will help outline the key considerations for individuals before they move to the UK and in their initial years as a UK resident.

UK residential status

It is important to know when you will become a UK tax resident and to check that you have not done so already inadvertently. This will enable you to plan when to take action and help consider if you can tweak your movements to a better time for becoming tax resident in the UK.

To remove ambiguity, the UK maintains the Statutory Residence Test, which considers several factors to determine when you become a UK resident. Crucially, you don't need to be resident in the UK for the full year to become a UK tax resident. Failing to consider the rules can lead to becoming UK resident accidently or earlier than planned.

Broadly, if you spend 183 days or more in the UK and have a home here, there is a good chance that you are a UK tax resident. However, the time required in the UK before becoming resident can be reduced, dependant on the number of other 'ties' you have to the UK, which are:

- **Family** – if you have a spouse, civil or co-habiting partner or minor children in the UK.
- **Accommodation** – having accommodation in the UK which is available for a continuous period of at least 91 days (ignoring breaks of less than 61 days) and spending at least one night there.
- **Substantive work in the UK** – 40 working days or more (a working day is defined as more than three hours of work)
- **UK presence in the previous two tax years** – spending more than 90 days in either of the previous two tax years.

If you meet any three of the ties, you will be tax resident after 91 days in the UK. If you meet all four ties, you will be tax resident after just 46 days in the UK.

Understanding these rules and carefully tracking your movements is key to applying them correctly to your circumstances. Generally, you are tax resident for the full tax year but there are circumstances where split year treatment may apply, such as a change in your jurisdiction of full-time work.

You can find more details about residency in our **Introduction to The Statutory Residence Test guide**.

Before you become UK resident

Whilst you are not resident in the UK, you may be aware that you will only be taxed (in the UK) on income or gains that are realised in the UK from UK situs assets. Your tax position on non-UK assets or income will depend on the local rules where you are tax resident.

Therefore, before you become UK tax resident, you should consider the difference between the UK taxation of your assets and your current tax circumstances. In some cases, it may be beneficial to crystallise gains or income before arrival and in others, it may be better to wait until after being UK tax resident.

If you are a returning UK resident, be mindful of the UK's temporary non-resident rules. Although you will not be taxed in the UK on foreign income and gains whilst resident abroad, if you return to the UK within five years, any taxable gains realised whilst temporarily non-resident will become taxable in the year of your return. This generally only applies to assets owned before leaving the UK, but if you are returning as a temporary non-resident, it is advisable to seek tax advice and review any disposals made to ensure you identify if any tax will become due on your return.

Individuals becoming resident in the UK for the first time or returning expats that have been long term non-resident, may benefit from the new Foreign Income and Gains (FIG) regime, scheduled to replace the Remittance Basis regime from 6 April 2025. Under the FIG regime new arrivals do not pay UK tax on foreign income and gains for up to four years. This is a significant benefit that can provide large tax savings if assets are organised efficiently.

For more information about the FIG regime, please see our introductory guide.

Regardless of the FIG regime, reviewing your assets and structure before arrival to the UK will help you avoid any unforeseen negative outcomes. During your time as a non-UK resident, you may have accrued assets, investments or structures like trusts or holding companies that need reviewing before becoming UK resident. Although such arrangements might have been efficient in your previous jurisdiction, it is important to check the current UK rules and how such assets or structures might be impacted.

Examples:

- **Non-UK investment funds** – Foreign collective investment funds have an adverse tax treatment in the UK as gains are treated as "offshore income gains" rather than the more favourable treatment of capital gains. Investing in these funds may result in a loss of the favourable tax-free capital gains allowances or lower capital gains tax rates as these holdings are less efficient that their UK equivalent. Equivalent funds in the UK can be sourced, or foreign funds which have applied for UK reporting status also have the same treatment as UK funds.
- **Investment bonds** – Investment bonds can be efficient tax deferral structures in many jurisdictions. However, the tax treatment can differ between jurisdictions, and you should check what the treatment would be applicable to your existing structure and review if any action is advisable, or whether the structure will still be beneficial once back in the UK.
- **Trust settlements** - If you have settled any trusts whilst non-resident, ensure you have identified what the UK position will be and consider if any action would be beneficial before returning.

Inheritance Tax

The UK's previous rules on Inheritance Tax were based on an individual's domicile. However, under the new rules, domicile is no longer considered. It is the number of years an individual has been UK resident which determines their UK inheritance tax position for an estate.

For a non-UK resident, only UK situs assets are subject to UK Inheritance Tax. However, if you are a UK resident, your global assets are also considered. There are only a few countries (10 as of January 2025) with which the UK has a tax treaty specifically covering inheritance taxation, and so care is needed when owning assets overseas.

Under the new rules, new UK residents will not immediately be subject to Inheritance Tax on their worldwide estate immediately. Instead, there is a 10-year initial period during which only UK assets are subject to UK Inheritance Tax. After being resident for 10 years, your global assets are subject to UK Inheritance Tax, even if you leave. The amount of time you remain subject to UK IHT is determined by the total amount of time spent as UK resident before leaving.

The new residence-based rules also impact trusts - both those set up while a UK resident and those set up while non-resident. These rules are more complex, and we would encourage advice to be taken in such circumstances.

Top Tips:

- Start your planning early
- Understand when your UK residency will start for tax purposes
- Review existing assets and structures
- Build a plan to efficiently manage your assets and tax liability on return

When to start planning

As with all types of financial planning, the earlier you start the better. Generally, it is best to seek advice at least 12–18 months before your intended return to the UK, although many individuals do so up to three years beforehand, so that there are no unforeseen surprises.

We're here to help

At Partners Wealth Management, our team of specialist advisers with international experience are on hand to provide advice and guidance. Through our private office connections, we can also help you find suitable tax and legal experts to meet your requirements, as well as other services including currency exchange or property services.

If you have any questions regarding the new rules or would like to discuss your current position, please contact us on **020 7444 4030** or email **info@partnerswealthmanagement.co.uk**.

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