

An introduction to \_\_\_\_\_



US and UK \_\_\_\_\_

investment and  
financial planning

Understand the challenges  
of cross-border planning

# Introduction

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**A life that crosses the US and UK can be exciting and rewarding, but it also adds layers of financial and tax complexity that aren't always obvious at first glance. From understanding your ongoing US tax and reporting obligations, to navigating investment choices that work on both sides of the Atlantic, and making sense of how the two tax systems interact – there's a lot to think about.**

This guide addresses the key questions you need to consider and looks at the impact of the UK's new non-dom rules.



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

If you're deemed by the USA to be an American, you'll need to report your worldwide finances to the IRS, even when living abroad.

You'll typically be considered American if:

- You have one or more US citizen parents
- You were born in the USA
- You acquired US citizenship
- You acquired a US Green Card

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

If you're resident in the UK, you'll be liable to UK tax on UK assets and income. Under the new residence-based rules from April 2025, you may also be subject to tax on worldwide assets. It's worth noting that new arrivals don't pay UK tax on foreign income and gains for up to four years.

You can find out more information in our additional guides: The Statutory Residence Test and the Foreign Income and Gains regime.

### What is an FBAR?

US expats with non-US bank or investment accounts may need to file a Foreign Bank Account Report (FBAR), also known as FinCEN Form 114. You will need to complete this if your accounts hold a combined total of \$10,000 or more and failure to do so can lead to penalties.

### What is FATCA?

The Foreign Account Tax Compliance Act (FATCA) requires US taxpayers to report certain foreign financial assets when their total value exceeds the relevant thresholds. For individuals living outside the US, these thresholds are typically higher – often starting from around \$200,000, depending on filing status and circumstances.

FATCA reporting is separate from your FBAR obligations and must be filed each year with your US tax return. Missing or incorrect filings can lead to significant penalties, so it's important to understand whether you meet the reporting criteria.



## What is a PFIC?

A Passive Foreign Investment Company (PFIC) is subject to highly complex and often costly US tax rules. In practice, many non-US collective investments – such as UK unit trusts, OEICs and other funds – are treated as PFICs. This means US taxpayers holding them face additional reporting requirements and potentially higher tax charges. Even ISAs, which are tax-advantaged in the UK, often contain UK funds that are classed as PFICs for US purposes.

## Should I just invest in US Mutual Funds?

Although this solves the PFIC issue in the US it creates a different challenge in the UK. Non-UK funds, or funds without UK reporting status, face adverse taxation in the UK. These funds will have their profits (both income and gains) treated as Offshore Income Gains (OIGs), which can be taxed at up to 45% – rather than the more favourable allowances and rates that apply to dividends or capital gains.

## How do the UK's new non-dom rules affect me as a US taxpayer?

From April 2025, the UK no longer uses the remittance basis. Instead, new arrivals can benefit from a four-year exemption on foreign income and gains under the UK's Foreign Income & Gains (FIG) regime – provided they have been non-resident for at least ten years. After this period, you are taxed in the same way as longer-term UK residents.

For US citizens and Green Card holders, the interaction between the FIG regime and the US tax system is important. Although the UK may not tax foreign income and gains during the FIG period, the US will continue to tax worldwide income every year. This means the FIG regime can offer UK tax relief, but it does not remove the need to report and pay US tax on overseas income, gains or distributions.

Careful planning is essential to ensure foreign income, investment structures and trusts are handled in a way that remains both compliant and efficient in both countries.

### We're here to help

Cross-border planning is complex, but the right guidance makes a meaningful difference. Our advisers can help you coordinate your affairs, stay compliant and make informed decisions with confidence. If you'd like to discuss your situation, please give us a call or send us an email.

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