

Coming To Live In The UK



The UK is a leading destination for wealthy individuals from around the world. London is the second most popular city in the world for the wealthy and it is predicted to remain so for at least the next 10 years.

BACKGROUND

There are many reasons why the UK is so popular with wealthy individuals including geographical location, language, schools, high quality residential property and political stability.

An extra reason is taxation. The UK is a relatively high tax jurisdiction but offers exceptional opportunities to wealthy individuals who move here from overseas to minimise their taxation liabilities.

UK tax law is exceedingly complex and it is essential that individuals obtain detailed professional advice on taxation, preferably before they move to the UK.

The following paragraphs offer an introduction to the opportunities and pitfalls in UK tax law.

RESIDENCE

On 6 April 2013 the UK introduced new rules to decide whether an individual is resident in the UK or not for tax purposes. The residence position of an individual with homes in different countries will be determined having regard to a combination of the time spent in the UK and the number of ties the individual has with the UK.

The legislation sets out four ties that are relevant to an individual who arrives in the UK for the first time. These are location of family, accommodation, work and '90 day' ties. The ties have detailed definitions but are generally self-explanatory except the '90 day' tie which asks whether the individual was present in the UK for more than 90 days in one or both of the previous two tax years.

An individual who comes to live in the UK and has a home, family and carries out more than 40 days of work in the UK each year may spend up to 90 days in the UK without becoming tax resident.

If they spend more days than that in the UK they will be tax resident.

THE REMITTANCE BASIS

The UK offers very favourable tax rules for individuals who, although they are tax resident, are not domiciled in the UK. The so called 'non-doms'. As a general rule an individual who was born abroad with a foreign father and does not intend to remain in the UK permanently or indefinitely will not be domiciled in the UK.

A non-dom is subject to tax on UK income, such as bank deposit interest, dividends from UK companies and rent from UK property, and gains from disposals of UK assets (except their main home).

Foreign income and gains are only taxable if they are 'remitted' to the UK.

All income, profits, earnings and gains realised before an individual arrives in the UK are classified as 'capital' which will never be taxed when remitted to the UK.

With careful planning a wealthy individual can ensure that they live off remittances of capital to the UK and keep all their foreign income and gains outside the UK. A very attractive proposition for many which means they can minimise the amount of tax they pay in the UK and in many cases pay no UK tax at all.