SQUIRE SANDERS

MOVING TO THE UK
A STARTER FOR 10!

I am assuming that the individual is a non UK dom (by this I mean VERY broadly that the UK is not where he has his natural home/ where he intends to permanently reside). When coming to the UK it is very likely that he will become UK resident (this will be determined by reference to the number of days he is in the UK and/or connecting factors he has to the UK/ whether he works/has a home in the UK).

A UK resident individual will be taxable on their worldwide income and gains. A non dom will only pay IHT on UK situs assets (unless he becomes deemed dom when he has been here for 17 years and has no double tax treaty protection). A UK res non dom can protect his non UK income and gains by electing to be taxed on the "remittance basis". To claim the remittance basis after 7 years of UK residency, an annual charge of £30,000 is imposed which increases to £50,000 after 12 years. We are market leaders in terms of remittance basis planning.

The individual is likely to want funds to spend in the UK and will prefer to do so without a charge to tax here. This can be arranged by organizing his remittances correctly – but this is best done in advance. It is really difficult to do once he has arrived and become resident here.

Most likely your client moving to the UK will want to purchase a (residential) property.

The individual needs to consider how the purchase will be funded and owned. The recently introduced Annual Tax on Enveloped Dwellings ("ATED") charge on companies and other "non-natural persons" holding UK residential property makes purchasing through a "wrapper" much less attractive these days. Using a trust will be expensive as there are periodic charges, entrance and exit charges to contend with.

It is now usually preferable for the individual to purchase in his own name (via a nominee if desirable) and ultimately Principal Private Residence Relief should be available to exempt the capital gain on any eventual disposal (again we can help with planning around this).

The individual may also want to set up a business in the UK. Interposing an offshore trust can be a good answer here. It will mean that any gains can be sheltered offshore on an eventual exit – although many people will be satisfied with paying 10% capital gains tax if they can qualify for Entrepreneurs relief.

So in summary, what to think about:

1. Domicile and residence status- check the position also in home country;
2. Organising funds prior to arrival in the UK in order to maximize the usefulness of the remittance basis- this will include setting up separate income and capital accounts going forward- we can discuss the intricacies of this with your client;
3. Perhaps setting up an offshore trust structure to shelter any gains.
4. Does the individual need a UK will?

Hopefully this is helpful as a starter for 10!

Contact

Helen V. McGhee
Chartered Tax Adviser
Associate
T +44 20 7655 1684
E helen.mcghee@squiresanders.com

12932/04/14