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Mobility matters

The essential UK tax guide for individuals coming to the UK on assignment.

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Contents

Welcome to the essential tax guide for individuals coming to the UK on international assignment

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It can be daunting moving to a new country on an international assignment. Understanding how tax and social security are affected by making such a move can add to the list of complexities you have to deal with. Our Global Mobility Services team at PwC has been advising foreign nationals coming to the UK for over 25 years, helping thousands of international assignees understand what they need to do.

The purpose of this guide is to share our experience with you, in the form of some frequently asked questions and answers, to help you when you make your international move.

The advice contained in this document reflects UK tax law and the reporting position for the 2016/17 tax year starting on 6 April 2016 (unless indicated otherwise).

As you will be aware, in 2016 the UK voted to leave the EU and in March 2017 the UK's Prime Minister triggered "Article 50" to commence formal exit negotiations. As a result, the UK is due to exit the EU in March 2019. Although triggering Article 50 did not of it itself bring about any changes in UK law, the UK's formal exit from the EU may bring about significant change in a number of areas for assignees, particularly in relation to immigration requirements and social security. Please do ask for advice before you act on any of the information contained in this guide to make sure you have the most current data.

PwC is part of a network of firms, with offices in over 154 countries. Our advice spans all jurisdictions, so if you would like to find out more please contact me or your usual PwC adviser – details of how to do so are listed on the contacts page.

You can also find further information on UK tax rates, allowances and Budget news at www.pwc.co.uk.

We hope you find this guide useful and informative.

This guide does not cover the tax and social security implications of self-employed individuals or partnerships, for which there are different rules.

1 Overview of the UK tax system

The more complicated tax position of a foreign national on assignment means you will almost certainly have to file a return.

1.1 What is meant by the United Kingdom (UK) for tax purposes?

The UK comprises England, Scotland, Wales and Northern Ireland and most, but not all, of the smaller islands around the British coast. The tax system extends to offshore oil platforms in British territorial waters. The Channel Islands, the Isle of Man and the Republic of Ireland are not part of the UK for tax purposes.

1.2 What taxes are charged?

The main direct taxes for individuals are income tax and capital gains tax (CGT) – these are dealt with in some detail in this guide. You may also be required to pay UK social security. Most goods and services are subject to value added tax (VAT) which is a sales tax added to the purchase price. Prices quoted usually include VAT and should clearly state if they do not. There is also a variety of other taxes on goods and services, for example, taxes on alcohol, car fuel, insurance and air travel.

Council tax is a local tax based on the value of the property in which you live. You will need to pay council tax even if you live in rented property unless the landlord has specifically accepted responsibility to pay council tax in the lease agreement. You are unlikely to be affected by estate and gift taxes (inheritance tax) unless you die or make significant gifts while living in the UK. Even then, the liability may be restricted to the value of assets held in the UK.

1.3 What is the UK tax year?

The income tax year in the UK runs from 6 April to the following 5 April.

1.4 Will my tax rate depend on where I live in the UK?

Tax rates are currently aligned across the UK. However, since April 2016 the Scottish Parliament has had the power to set different rates of (and thresholds for) income tax for those living in Scotland. The Scottish Parliament did not utilise those powers for the tax year 2016/2017. (However, for the tax year 2017/2018 the higher rate threshold for those living in Scotland is lower than for the rest of the UK).

1.5 Will I need to file a UK tax return and if so when?

Like many other countries, the UK may require taxpayers to file an annual return of taxable income and gains, complete with a self assessment of the remaining tax due. There are fixed filing and payment dates. Many employees working in the UK pay all their tax through payroll withholding and are not required to file a tax return. The more complicated tax position of a foreign national on assignment means you will almost certainly have to file a return. This applies even if your taxes are being funded by your employer. If you are filing your own tax return but have not been sent a notice to complete one, you should request one from the UK tax authorities, HM Revenue and Customs (HMRC), by 5 October following the tax year. If PwC is acting on your behalf for that tax year we can liaise with HMRC as needed.

Tax Return Deadlines

31 October

31 January

31st

You must file your tax return by:

- 31 October following the end of the tax year – if you are filing the tax return in paper format. In this case HMRC will compute your tax liability. Any residual liability must be paid at the latest by the following 31 January, or
- 31 January following the end of the tax year – if you or your accountant file the tax return electronically and compute the tax liability as part of that process. Any residual tax due must also be paid by this date.

Automatic interest and penalties apply for failure to file your tax return and pay your tax on time. It is not possible to avoid late filing penalties altogether simply by paying any tax due on time. In some instances, you may need to make advance payments on account of the tax due during the tax year.

2 Determining your UK tax liability

2.1 What factors determine how I am taxed in the UK ?

Your liability to UK tax depends on several factors including your residence and domicile status. A detailed description of these terms is provided in Appendix I. When you arrive in the UK you will need to make a provisional assessment of your residence status, which you can confirm later by filing your tax return. Broadly, your liability to pay tax in the UK will be determined by your residence status as follows:

- **Non-resident** – You are taxable on personal income that arises in the UK. If you perform employment duties in the UK then part of that remuneration could also be taxable. Following the introduction of new rules in Finance Act 2015, you may also be liable to UK capital gains tax on disposals of UK residential property.
- **Resident –** You are taxable on worldwide personal investment and employment income. Any capital gains you generate will also be taxable in the UK. If you are non-domiciled exemptions may be possible for non-UK duties (this is explained in further detail in section 3.4 below) and other advantages may also apply.

2.2 How do I determine whether I am resident or non-resident?

The UK has a statutory residence test and these rules will determine your residence position. These rules are complex and we recommend you determine your residence position by taking advice from your PwC tax advisor.

High level guidance on how to determine residence and the sort of information you should retain to support your residence assessment in case of any subsequent enquiry by HMRC is set out in Appendix I.

There is no pro forma paperwork to be completed when you arrive. However you may need to register with HMRC to obtain a reference number (Unique Taxpayer Reference Number – 'UTR') before you can file a tax return.

2.3 Temporary non-residence

The UK has rules that impact individuals who leave the UK and become non-resident.

Individuals who are temporary non-resident and receive certain types of income and gain during a period of temporary non-residence could become taxable in the year of return.

An individual will be a temporary non-resident if:

- They are solely UK resident in 4 out of the previous 7 tax years prior to the tax year of their departure and;
- They are non-resident for five years or less.

If you think this may impact you please contact your PwC advisor.

Being non-UK domiciled has significant tax advantages. Provided you claim the remittance basis, certain personal income such as interest, dividends and capital gains which arise outside the UK on non-UK situs assets will only be liable to UK tax if remitted to the UK.

2.4 What is the advantage of a non-UK domicile status?

Domicile is a common law concept, which has a major impact on how you are taxed in the UK. A detailed summary of the domicile concept is provided in Appendix I. Being non-UK domiciled has significant tax advantages. Provided you claim the remittance basis, certain personal income such as interest, dividends and capital gains which arise outside the UK on non-UK situs assets will only be liable to UK tax if remitted to the UK. You may also be able to claim an exemption from paying tax on income earned under a separate foreign employment contract. Further details can be found in sections 3.1 and 3.5.

2.5 What is meant by the remittance basis and will it be advantageous for me to make a claim?

Anyone who is not domiciled in the UK may make a claim for certain types of offshore income and gains to be taxed only to the extent that they are remitted to the UK, rather than being taxed on them as they arise (the arising basis).

Claiming the remittance basis will mean giving up any entitlement to the tax-free personal allowance and to the annual exemption for CGT. You may wish to take further advice before deciding whether it is beneficial for you to claim the remittance basis for any particular UK tax year, especially as you are able to choose year-by-year whether or not to claim.

If an eligible individual has less than £2,000 of offshore income and gains in any complete UK tax year, the remittance basis can apply automatically, without any loss of tax-free personal allowances or annual exemptions. If you are taxed on a split year basis because, for example, you have arrived in the UK part way through the tax year, the £2,000 limit is measured against income and gains relating to the UK part of the split tax year. It may also apply automatically to certain taxpayers with limited UK source income and no UK gains if they make no remittances to the UK, provided they have been resident in the UK in not more than six out of the previous nine UK tax years. These provisions are explained more fully in Appendix II.

Any eligible individual who is 18 years of age or over and who has been resident in the UK in at least seven out of nine of the previous UK tax years, must pay an additional £30,000, known as the remittance basis charge (RBC), in order to claim the remittance basis. This charge increases to £60,000 if resident in at least 12 out of the 14 previous UK tax years. It increases further to £90,000 if resident for 17 out of the previous 20 years.

Any eligible individual who is 18 years of age or over and who has been resident in the UK in at least 7 out of 9 of the previous UK tax years, must pay an additional £30,000, known as the remittance basis charge (RBC), in order to claim the remittance basis. This charge increases to £60,000 if resident in at least 12 out of the 14 previous UK tax years. It increases further to £90,000 if resident for 17 out of the previous 20 UK tax years.

Please see Appendix I for further details of these rules and some changes which apply for the tax year 2017/2018 onwards.

Whether paying the RBC is worthwhile will depend on both the likely UK tax rate on any income and gains, and the extent of any home country liability on the same income and gains. The calculation is likely to be quite complex and will need to be considered annually for each taxpayer. Collating all the data that will be required to calculate tax due on the arising basis is likely to be quite onerous and is a factor you should also consider.

2.6 How am I treated in years of arrival and departure?

UK law deems an individual to be tax resident for an entire UK tax year. However it is possible to split the tax year into a UK part and an overseas part if you meet certain conditions. This allows you to be treated in effect as if you were non-resident for the period before you arrive in the UK to begin your assignment or in the period after you leave. When you arrive in the UK the applicable conditions are:

- You have a home in the UK and a home abroad and there comes a point in the tax year when you only have one home and that is in the UK.
- You begin to work full time in the UK.
- There comes a point in the year when you are no longer working full time abroad (for example your overseas assignment ends).
- You are accompanying your spouse or partner who will be working full time in the UK.
- You acquire a home in the UK.

The way the split year rules work means that if you fall into more than one of these categories there is a complex ordering process to determine which case applies and therefore at what point in the tax year you become taxable on your employment and other income.

The conditions for these five cases are complex. Please refer to the full detail in Appendix III.

2.7 What happens if I buy a property in the UK?

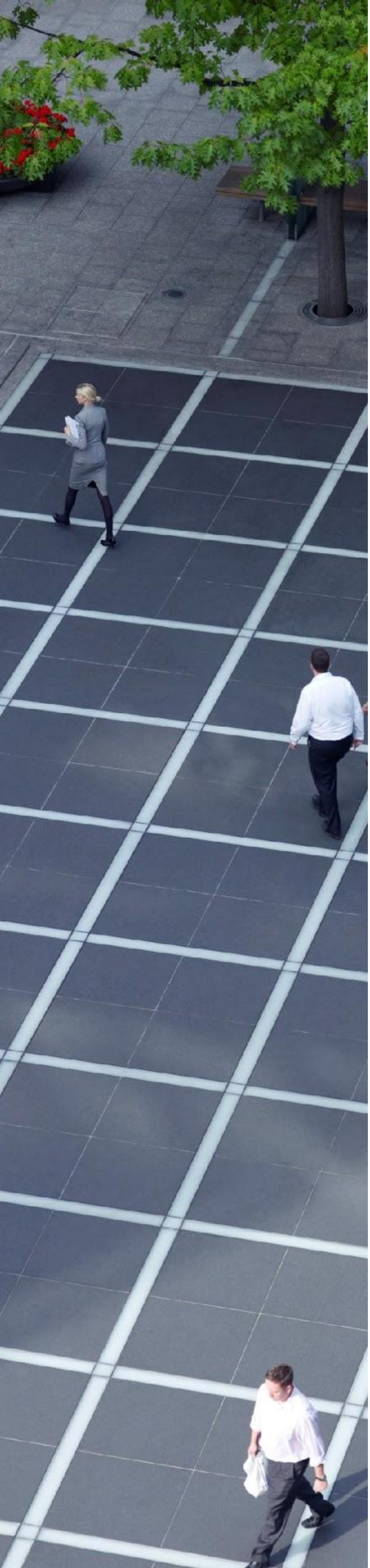
Purchasing property in the UK used to automatically impact an individual's ordinary residence status. However, the concept of ordinary residence has been abolished and purchasing a property will not now normally impact on your residence status. It could however be a factor that needs to be considered if your connecting factors to the UK are being taken into account (see Appendix 1).

3 The taxation of employment income

3.1 How does my tax residence status impact on the taxation of my earnings?

The factors that determine your UK tax residence status were explained in section 2.1. The way your residence status will determine the taxation of your employment income is set out below.

Non-resident	Resident and UK Domiciled	Resident and non-UK Domiciled
Earnings related to UK duties will be taxable in the UK. Earnings related to duties performed outside the UK are not taxable in the UK.	If you are resident and UK domiciled your earnings will be taxable on a worldwide basis.	Earnings from UK duties will be taxable. If you have not been resident in the UK in the three years prior to your tax year of arrival then you will be eligible for 'overseas workday relief' in your first three years of tax residence (see section 3.4). Overseas workday relief allows you to exclude from UK tax those earnings which relate to your non-UK workdays providing you file on the remittance basis and pay and retain a sufficient proportion of your employment income offshore.



If you are resident and entitled to relief from UK tax on your overseas earnings, make sure that you receive and retain sufficient assignment earnings outside the UK.

3.2 Do I have to pay tax on my assignment allowances and benefits?

In general, allowances, reimbursements and benefits which you receive relating to your assignment are taxable in the UK even if paid overseas. This includes all cost of living allowances, for example, the provision of housing and company cars. It may be possible to claim exemptions for certain specific items such as relocation expenses up to £8,000 and home leave reimbursements. Reimbursed business expenses are not normally reported or taxed.

3.3 What if I perform some of my duties outside the UK?

If you are non-resident you will only pay tax on your UK duties. If you are resident and non-UK domiciled you may be able to claim relief in respect of your overseas workdays.

3.4 What is overseas workday relief?

If you are resident but non-UK domiciled and have not been tax resident for the previous three tax years you may be able to exclude from UK tax your earnings attributable to non-UK workdays for the first three years of tax residence in the UK (often called 'overseas workday relief').

To do this you need to be able to demonstrate that you have received those earnings outside the UK, and not subsequently remitted them to the UK, assuming that the remittance basis is claimed. This is more complicated than it sounds because strictly what is regarded as remitted to the UK needs to be considered each time that funds are brought here and is subject to complex statutory rules.

> ***Key considerations***
>
> If you are resident and spend time working outside the UK, make sure that you receive and retain sufficient assignment earnings outside the UK.

But if you are able to set up a qualifying account this analysis may normally be done on an annualised basis. Please see Appendix II for further details. Otherwise, when considering any remittances to the UK from an account containing mixed funds, you will need to consider what is deemed to be in your offshore bank account immediately before any remittance is made. Appendix II provides further details of how to create a qualifying account and the statutory order deemed to apply to remittances made to the UK.

3.5 What counts as an overseas workday?

There is no statutory definition of what constitutes a working day (although a definition exists in the context of establishing residence). Any day of the week (including weekends and public holidays) may constitute a working day, provided that the day is substantially devoted to performing the duties of your employment.

An overseas workday is a day that is either devoted substantially to working outside the UK, or is spent in travelling to or from an overseas workplace. You do not need to be absent from the UK either at the start or at the end of the day to qualify for relief.

It is important that you can provide evidence for the days that you have spent working outside the UK. HMRC may require an accurate diary detailing days spent working in and out of the UK. In addition you should keep any other available supporting information such as:

- Copies of your expense reports with tickets, invoices, receipts and other supporting documentation including boarding cards.
- Personal notes and documents that will allow you to reconstruct your itinerary and a broad outline of duties undertaken on any particular day e.g. meetings, appointments etc.

Use the calendar on MyMobility, our secure website, to fill in details about which country you are in on a particular day. You will also need to record whether that day is a workday, non-workday, vacation day or sick leave. We will use this information to complete your annual tax returns.

3.6 What if I have two or more separate employments?

If you have two or more separate employments, one of which is performed wholly outside the UK, the earnings from your non-UK employment may be liable to UK tax only if remitted to the UK if you make a claim for the remittance basis and if:

- you are non-UK domiciled
- your employer is not UK resident, and
- none of the duties of that employment are performed in the UK in the tax year in question.

It is necessary to demonstrate that the employments are genuinely different and one of them is performed wholly outside the UK. Frequent international travel linked to flexible working arrangements and improved communications media can make it extremely difficult to demonstrate that these requirements are met

In addition, overarching anti-avoidance legislation prevents the remittance basis applying where certain conditions are not met. This is a very complex area and it is important that advice is sought to determine whether a 'dual contract' arrangement is suitable in your particular circumstances.

3.7 Do I pay tax on relocation costs?

Any relocation costs paid on your behalf or reimbursed to you by your employer and related to your move to the UK are in principle taxable in the UK, but may be exempted subject to a limit of £8,000. The time limit by which costs usually have to be incurred is the end of the tax year following the one in which you begin to perform the duties of your employment at the new location. HMRC does have some discretion to extend this time limit but generally only exercises it where a relocation has been delayed for a short period, for example, to allow your child to complete a stage in his schooling before the move. Any costs in excess of this amount are taxable in full. Examples of qualifying relocation costs include removal charges, temporary but not long-term storage, and certain expenses related to the disposal of your residence in order to take up your assignment. Relief may also be available for the costs of you and your family travelling to the UK – please see section 3.9 regarding travel.

3.8 Are my earnings subject to UK payroll withholding?

Your employer, or the UK entity to which your services have been made available, is required to operate pay as you earn (PAYE) on cash payments and certain benefits-in-kind, including many types of employee share benefits. This withholding normally applies even if the payments or benefits are delivered to you outside the UK, or if payments are received before or after your assignment but which relate to your UK assignment. If your employer is responsible for funding your UK tax liability they should arrange to pay the PAYE directly on your behalf.

Maximise available relief for travel and relocation costs by taking advice on the detailed rules.

3.9 Is there any relief available on the cost of travel to and from the UK for me and my family?

If you come to the UK, having not been resident here in the two previous UK tax years, your employer can reimburse the cost of your travel to the UK and your return trips home tax-free for up to five years. This applies even where these trips are to see friends and family rather than for a business purpose. In addition, the costs of up to two trips to your home from the UK or vice versa for your spouse, civil partner or minor children may be reimbursed tax free, provided that certain conditions are met and provided that the journeys are undertaken to visit you, or accompany you.

3.10 If I have already paid tax on my earnings in another country will I also need to pay tax in the UK?

Quite possibly, but overall you are unlikely to end up paying tax twice on the same earnings. The fact that you pay tax in another country does not necessarily mean you do not need to pay UK tax on the same earnings. If you work in the UK you may still have to pay overseas tax on your UK employment income if you are tax resident in a foreign country that taxes your worldwide income, for example, if you are a US citizen, or green card holder.

As far as the UK is concerned, if you are not UK resident, you will only pay UK tax to the extent that you carry out your employment duties in the UK. Under double taxation treaty provisions you may be exempted from UK tax if your working visit is for less than six months and certain other conditions are met. Otherwise, you will pay UK tax and double tax relief may be available in the foreign country. In practice, claiming the remittance basis also helps to prevent double taxation.

If you have come to the UK and are entitled to overseas workday relief, you are taxed in the UK on employment income relating to work outside the UK only to the extent that it is paid in or remitted to the UK, provided that you make a claim for the remittance basis to apply (please see Appendix II for the definition of remittances).

3.11 What if I receive assignment related income before I arrive in, or after I leave the UK?

Income relating to your UK assignment is taxable even if it is received before you arrive in, or after you leave, the UK. For example, a transfer bonus contingent on you commencing your UK assignment and which is paid before you arrive in the UK would be taxable here.

Other examples could include a bonus earned while resident in the UK but received after your assignment has ceased, or a post-assignment tax equalisation settlement. It may be necessary to submit a UK tax return in respect of a year after your UK assignment has been completed.

3.12 How does the proposed length of my assignment impact on my tax liability?

Your intended length of assignment could have an impact on the taxation of your assignment related expenses while you are in the UK.

3.13 I expect to be on assignment in the UK for no more than two years. Does this impact my tax position?

The taxation of your employment income will be determined according to your residence status and your eligibility to claim overseas workday relief. This is unaffected by your intended length of stay.

However where the expected length of your assignment is not more than 24 months and certain conditions are satisfied, you may be able to exclude from UK tax travel, subsistence and accommodation which relate to your UK assignment. If you are personally funding the cost of these expenses a deduction against taxable income may be available. This treatment only applies to your personal costs and is not extended to those costs which can be deemed to relate to others such as your spouse or civil partner or children.

4 Taxation of personal income and capital gains

4.1 Am I taxed on investment income from UK sources?

You are liable to UK tax on investment income, for example bank deposit interest or dividends on UK shares, received from UK sources. Rental income from UK property is also regarded as UK source income.

4.2 Am I taxed on investment income arising outside the UK?

This depends on your residence status. If you are non-resident you will only be taxed on your UK sourced investment income. If you are resident then generally you will pay tax on your worldwide investment income. However if you are resident but considered non-UK domiciled and claiming the remittance basis, you will only be taxed on most forms of non-UK source investment income if it is remitted to the UK. If the remittance basis is not claimed you will be liable to UK tax on this income. Claiming the remittance basis usually involves some cost in terms of loss of tax-free allowances, so you will need to decide on a year-by-year basis if it is worthwhile.

4.3 If I rent out my property in my home country, will I pay tax on this income?

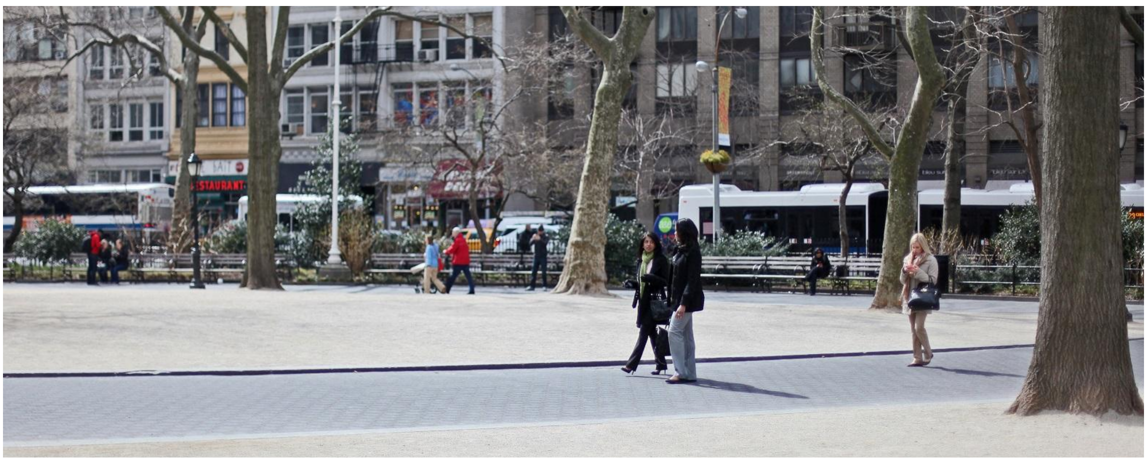
Rental income is taxable unless you are non-resident or resident and the remittance basis has been claimed, in which case it is only taxed if and when it is remitted to the UK. Any UK tax will be based on the profit you make, determined according to UK rules.

4.4 Will I pay UK tax on capital gains?

UK residents are liable to UK CGT on disposals of chargeable assets. You are entitled to an annual CGT exemption unless you claim the remittance basis (please see section 2.4 for more details) and only gains in excess of this amount are taxable. Capital gains are generally taxed at a marginal rate of 20%, except for certain gains (including gains from residential property) which are taxed at 28%. will give up the annual CGT exemption for the tax year concerned.

If you are not UK domiciled and make a claim to be taxed on the remittance basis, UK CGT is not payable on gains from the disposal of assets situated outside the UK, except to the extent that such gains are remitted to the UK. However, where the remittance basis is claimed you will give up the annual CGT exemption for the tax year concerned.

If you claim the remittance basis you will not normally be able to claim relief for any offshore capital losses. It is possible to elect into a particular regime that allows you to access offshore capital losses, but the regime is complex and the election into it is irrevocable. Please take further advice if you think the election may be beneficial for you.



Key considerations

You should always check the tax liability in your home country or country of origin and the country where the asset is situated if this is different. Take advice before you realise or remit gains to minimise tax.

Note that capital losses in foreign currency terms are only losses for CGT purposes once denominated in sterling. It is possible for a commercial loss to become a capital gain in sterling terms by the time that foreign currency movements have also been considered.

In some cases, even where gains are remitted to the UK or where your liability is calculated on the arising rather than the remittance basis, a specific exemption applies to the asset sold so there is no final UK liability. The most common example is a property used as your main home, where any gain is usually exempt provided certain conditions have been met.

Non-residents are liable to UK capital gains tax on disposals of UK residential property, subject to an exemption which may be available where the property is used as your main home.

4.5 Will I pay UK tax on capital gains and income in my offshore trust or company?

There are complex rules concerning the taxation of gains and income in offshore structures such as companies and trusts, and in some circumstances the law gives HMRC the opportunity to tax that income and gains on the individual taxpayer. We recommend that you take further advice if you are involved with an offshore trust or company to ensure that all the tax implications are considered.

5 Deductions, credits and filing status

5.1 How much income can I receive tax-free?

Tax residents receive an annual tax-free personal allowance unless they choose to claim the remittance basis or have income in excess of a prescribed limit (currently £100,000 after which a phase out applies). Tax is not due until your taxable income exceeds the personal allowance (where applicable). Each individual has his or her own personal allowance. If you are treated as tax resident for only part of the UK tax year, you will nevertheless receive your full annual tax-free personal allowance subject to the restrictions above. If you are non-resident in the UK, you will generally only be entitled to a personal allowance if you are:

- a national of a member country of the European Economic Area (EEA), or
- entitled to the allowance under specific double tax treaty provisions which cover personal allowances.

5.2 Can I claim a deduction for mortgage interest for a home I buy in the UK?

No.

5.3 Can I get relief for subsistence costs when I am on a short-term assignment?

If you come to the UK with the intention of being here for two years or less it may be possible to claim a deduction in your tax return for certain allowable travel and subsistence expenses. In all cases, only your personal share of costs is eligible for relief, not those attributable to others, such as your partner or children.

The types of expenses that can be claimed include:

- accommodation costs including rent, utilities, council tax and temporary hotel accommodation.
- commuting costs from your UK home whilst on assignment to the temporary workplace including train fares, mileage costs, bus fares.
- daily subsistence costs, for example food, non-alcoholic drinks and meals for UK days and whilst on other business travel. No relief is available for days spent on holiday, and
- travel between your overseas home and your assignment location if it is not possible to claim relief for this under home leave provisions.

5.4 How do I apportion expenses that relate to others?

HMRC may insist on an apportionment of the total costs incurred to calculate an amount attributable to you personally, as it is only your own costs that strictly qualify for relief.

There are no prescribed rules for this apportionment. Generally, direct accommodation costs may be claimed by reference to other benchmarks such as the comparable cost of accommodation in the area concerned for a single person.

Costs that are directly related to the size of the property, such as utility bills or council tax, are normally apportioned based on the number of people using the property. Similarly, actual subsistence costs are normally apportioned based on the number of people in the household.

5.5 What records must I keep?

You will need to keep evidence of expenditure under all of the categories above so that we know the expenses incurred. From this evidence we can make an appropriate claim on your behalf. HMRC may also request such evidence in connection with tax return audits. Suitable supporting documents include:

- a copy of any lease agreement or agreements entered into.
- receipts for expenses incurred including travel, and
- supermarket bills showing the payment of expenses.

5.6 Do I get a credit if I pay tax on the same income in the UK and another country?

If a double taxation treaty applies you will rarely end up incurring a double tax burden. Double taxation treaties correct situations where double taxation has already occurred and also try to prevent it arising in the first place. If you are a UK tax resident, the UK will give treaty relief for overseas tax paid on overseas source income to the extent that the income has been doubly taxed.

Where no double taxation agreement is in existence you may still be entitled to relief under UK domestic law. In all cases, relief will be limited to the UK tax due on the doubly taxed income for the relevant UK tax year. If you are tax resident in another country that country may give relief for UK tax paid on UK source income if it is also taxed in that country.

5.7 Can I file a joint return with my spouse or civil partner?

No. A system of independent taxation operates in the UK, so each spouse or civil partner with taxable income is required to file a separate tax return each year. Each spouse or civil partner is entitled to separate personal allowances, and his or her own annual capital gains exemption, unless he or she claims the remittance basis, and to separate tax rate bands.

If you come to the UK with the intention of being here for two years or less it may be possible to claim a deduction in your tax return for certain allowable travel and subsistence expenses. In all cases, only your personal share of costs is eligible for relief, not those attributable to others, such as your partner or children.

6 Social security contributions and benefits

You will be entitled to the same level of state healthcare as a UK resident which may differ from the level of healthcare provided in your home country.

6.1 Will I have to pay UK social security contributions?

This will depend on a number of factors including:

- who you are employed by.
- the length of your assignment.
- the country you were based in prior to your assignment to the UK, and
- in some cases, your nationality.

A summary of the position is provided in Appendix V. If you are liable to pay UK social security, known as National Insurance contributions (NIC), as an employee you normally have to pay Class 1 rates, as does your employer.

6.2 How will my social security benefits in my home country be affected?

If you remain covered under your home social security system, it is unlikely that your long-term statutory benefits will be affected by working in the UK. If coverage in your home country ceases, the impact will depend on the social security agreement, if any, which exists between the UK and your home country. A list of social security agreements is provided in Appendix VI. Most of these agreements will address the question of benefits and may, for instance, allow credit for contributions to the UK system in determining your entitlement to benefits in your home country. If you are concerned about your entitlement to benefits in your home country you should take advice.

6.3 Am I entitled to claim UK child benefit?

Child benefit is a non-contributory social security benefit which is generally payable for all children that you are responsible for. You may be able to claim benefit in the UK if:

- you have indefinite leave to remain in the UK, and
- you come from another EEA country, or
- you come from certain other countries that the UK has agreements with covering the payment of child benefit, for example, New Zealand and Canada.

Where neither of the last two conditions above apply, you cannot usually get UK child benefit if your right to remain in the UK is subject to immigration control. In this case, your right to enter or remain in the UK is usually subject to the condition that you have no recourse to public funds, such as UK child benefit, and your passport would usually be stamped as such.

You may qualify for immediate payment of benefit if you pay UK social security contributions from the time of your arrival in the UK. You may also qualify for immediate payment by virtue of your residence in another agreement country, but not under the EEA provisions. Otherwise, payment will not normally commence until you have a right to reside in the UK. You can claim child benefit by completing a claim form which you can obtain from any social security office. UK child benefit is not currently taxable in the UK unless, broadly, you have an income of over £50,000.

6.4 Am I entitled to state-provided free medical treatment in the UK?

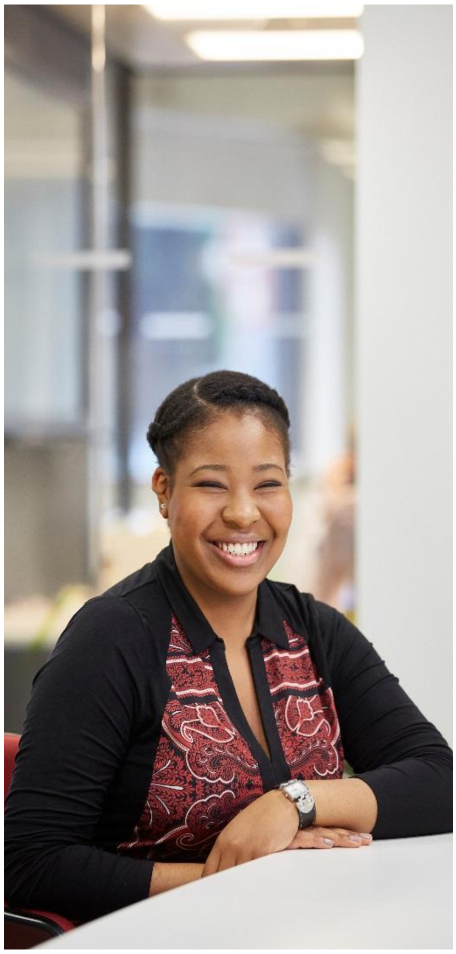
Generally, under current legislation, anyone who is considered resident in the UK is exempt from charges for hospital treatment. A resident for healthcare purposes is a person living in the UK lawfully and on a settled basis, or living a settled mode of life, for example, if you come to the UK for the purposes of employment. This exemption also applies to your spouse or children under the age of 16 (or 19 if in further education) if they have accompanied you to the UK. There are also some National Health Service (NHS) treatments that are free to anyone living in the UK regardless of the length of time you have been in the country or how long you intend to stay. These include:

- treatment as an outpatient in an accident and emergency department or a walk-in centre. The exemption from charges will cease to apply once the patient is formally admitted as an in-patient. This also includes emergency operations and admittance to high dependency units.
- compulsory psychiatric treatment
- treatment for certain communicable diseases, and
- emergency treatment provided at primary care practices.

Other exceptions from NHS charges depend on the country from which you have been transferred. In general, healthcare is available to citizens of the EEA countries and Switzerland but you need to have a certificate of entitlement, either an European Health Insurance Card (EHIC), or S1 to obtain treatment. The UK has healthcare agreements with a number of countries which may entitle you to free or subsidised healthcare treatment.

You will be entitled to the same level of state healthcare as a UK resident which may differ from the level of healthcare provided in your home country.

Although most healthcare services provided to UK residents under the NHS are free at the point of treatment, there are certain specific exceptions. For example, dental care, eye care and prescription medication are generally not provided free at the point of treatment. This means that, in most cases, some of the costs of these treatments will have to be paid by the patient directly. You may therefore wish to consider whether you should seek additional private medical insurance cover for yourself and your family members, if they have accompanied you to the UK.



7 Miscellaneous issues

The taxation of any equity based compensation that you may receive will depend on the terms of the reward plan your work duties and your tax residence status.

7.1 What if I am granted and/or exercise stock options during my UK assignment?

Since 6 April 2015 new rules have applied to all options (including those options granted prior to 6 April 2015). Although the new rules simplify the previous regime governing options the taxation position remains complex and professional advice should be obtained before any actions are taken. Prior to 6 April 2015 residence status on the date of grant of the option was critical in determining the UK tax treatment but this is not the case under the new rules and you may find that you have a liability to UK tax in circumstances where it would not have arisen under the old rules.

In principle, under the new rules, a liability to UK tax will arise on the exercise of an option over non-UK stock, even if the option was granted to you prior to the commencement of your UK assignment and/or if you exercise an option even after your assignment has ceased and you are non-UK resident. However, where you meet one or more "international mobility conditions" during the "relevant period" (which in the case of an option will normally be the period between grant and vesting of the option) the income arising on the exercise of your option may be apportioned between income treated as earned in UK and income treated as earned outside the UK.

The international mobility conditions are, broadly that you:

- Are not resident for any part of the relevant period (regardless of your domicile). In this case, the portion of income treated as earned outside the UK is outside the scope of UK income tax, and/or
- Are UK resident and non-domiciled and claiming the remittance basis. In this case, the portion of income treated as earned outside the UK will only be subject to income tax if remitted to the UK.

The treatment of social security is similar in principle but slightly different in practice which means that the tax and social security liabilities have to be calculated separately.

The UK has recently reformed the rules regarding the taxation of equity based compensation for internationally mobile employees.

7.2 Will any other stock based income I receive from my employment be taxed in the same way?

Similar rules apply for other stock based income, although, for example, a different "relevant period" for calculating any apportionment may apply depending on the nature of the award. We strongly recommend that you take professional advice regarding the way in which any awards will be taxed.

7.3 Can I continue to participate in my employer's home country pension plan?

Again, this is a complex area. You will need to determine whether your particular pension plan allows you to continue to participate during your assignment to the UK.

Generally and subject to certain limits that apply to UK registered pension plans, provided that your pension plan provides only death or retirement benefits, employer contributions to the plan will not be taxable on you. However, you will only receive favourable tax treatment for your own contributions to the plan if it meets certain conditions. The pension fund administrator may also have to commit to providing reports of particular events at some future point for relief to be available.

Alternatively, some pension plans may receive favourable treatment if the double tax treaty between the UK and your home country requires the UK to recognise the plan. In this case, you would normally be entitled to a deduction for your contributions and contributions paid by your employer would not be considered taxable income. There may still be tax implications if the limits applying to contributions to UK registered pension plans, are exceeded. As the amount that can be claimed as tax deductible for higher earners has been restricted to as little as £10,000 from April 2016, you should take further advice if this is likely to be the case.

If pension contributions have been relieved from UK income tax, you may remain subject to UK tax charges after you have left the UK on certain payments from the plan.

A number of changes to the taxation of foreign pension schemes have recently been introduced and generally apply from 6 April 2017. Please contact us for further details.

7.4 Do I need a work permit?

Unless you are a citizen of the EEA (see Appendix VI), you will almost certainly require entry clearance (a visa) before you can begin your assignment in the UK. If you are being sponsored by your company in the UK, before you can apply for entry clearance, the company must first issue you with a Certificate of Sponsorship under Tier 2 of the Points Based System. You can submit an entry clearance application to a British Diplomatic Post in your country of nationality or country of legal residence. This application is normally a three stage process:

- first you must submit your on-line application form;
- next you must enrol your biometrics (fingerprint scan and a digital photograph);
- finally you must submit your documents to the relevant British Diplomatic Post or Visa Application Centre. The documentary requirements and processing times will depend on the type of application and the location of submission. Entry clearance should be obtained before the commencement of your assignment as you are likely to be refused entry to the UK if you do not have the appropriate documentation.

Key considerations

The reform of the rules applying to stock options means a liability to income tax may arise in circumstances where it would not have done so under the rules which applied prior to 6 April 2015.

If you are employed on a local UK contract you will not be eligible for the starter checklist procedure and you will need to complete a form SA1 and file this with HMRC to allow them to create a self assessment record for you.

Key considerations

Before becoming UK resident consider operating separate bank accounts outside the UK to help to identify the source of funds remitted to the UK to minimise your UK tax liability.

7.5 Am I liable to estate and gift taxes in the UK?

If you are non-UK domiciled your exposure to inheritance tax (payable on death and by the donor in respect of certain lifetime gifts) is limited to your UK-based assets. For inheritance tax purposes only, you may be deemed domiciled in the UK after you have been UK tax resident for 17 out of the last 20 tax years. In these circumstances, your exposure to UK inheritance tax extends to your worldwide assets, subject to the provisions of any applicable estate tax treaty. Inheritance tax planning should be considered if you are planning to settle long-term in the UK or acquire significant assets here.

The UK government has introduced new rules on deemed domicile from **6 April 2017**. Under these new rules you will be deemed to be domiciled for all tax purposes (ie for income tax and capital gains tax as well as inheritance tax) after you have been UK tax resident for 15 out of the last 20 tax years, or if you are a UK resident born in the UK with a UK domicile of origin. The impact of these new rules is particularly complex in the context of offshore trusts. In addition, the UK government has introduced legislation to ensure that, from 6 April 2017, inheritance tax is payable on all UK residential property owned by non-domiciles (regardless of their residence status for tax purposes). Please contact us for further details.

7.6 When I transfer funds to the UK is there anything I should consider?

You should consider whether you may be triggering a UK tax liability by remitting foreign income or capital gains. The taxation of remittances is a complex area; for instance, remittances are not limited to straight cash transfers, and there are special rules regarding remittances from a non-UK account which contains a mixture of earned income, investment income and capital gains. An overview of remittances is provided in Appendix II.

You may need professional advice before transferring funds to the UK, especially if the amounts are substantial and/or if they involve translating any other currency into sterling.

7.7 What forms do I need to fill in when I arrive in the UK?

If you are employed by a non-UK employer and assigned to the UK, you will normally need to complete a starter checklist (formerly a “P46 (Expat)”) with your employer on arrival in the UK. This will enable HMRC to establish a self-assessment tax record for you and will facilitate payroll withholding. There is no longer a separate arrival form to advise HMRC of your arrival in the UK, but we recommend that you retain certain information and records on your arrival – please see Appendix I for further details.

If you are employed on a local UK contract you may need to help your employer complete a starter checklist for payroll purposes (formerly a “P46”) but you will also need to complete a form SA1 and file this with HMRC to allow them to create a self assessment record for you.

HMRC should, on receipt of the relevant information, write to you and provide you with a Unique Taxpayer Reference Number (UTR). The UTR number is required to file a tax return on-line and you will need to provide this number to your PwC contact if PwC have been engaged to file your tax return.

7.8 Must I notify the UK tax authorities when I leave the UK?

There is no requirement to obtain an exit permit from the UK tax authorities before you leave the UK, but HMRC’s Expatriate Tax Group asks expatriates to complete a declaration on leaving the UK, so that they can decide whether or not a tax return will be needed for any income received post departure. If your tax affairs are handled by any other part of HMRC, completing a form P85 will enable them to confirm your tax residence status following your departure. This may speed up tax refunds.

8. Appendices

Appendix I:
Residence and domicile

This section describes only the law and practice in force as at 6 April 2016.

Determining your residence position

Residence is determined according to detailed rules set out in statute. To be regarded as tax resident in the UK you must be physically present in the UK at some time in the tax year. Your residence position elsewhere is irrelevant in determining tax residence under UK law.

Non-residence

You will be regarded as non-resident if you fall into any one of the following three categories. If you fall into one of these categories you are definitely non-resident and you do not need to consider any of the other detailed residence rules.

- You were resident in one or more of the previous three tax years but you spend less than 16 days in the UK during the tax year or,
- You were not resident in any of the previous three tax years and spend less than 46 days in the UK during the tax year or,
- **You work full time overseas.** To fall into this category you must average a 35 hour working week overseas and there must be no significant breaks from your work overseas. The calculation of the 35 hour average is complicated and you should consult your tax advisor if you have an irregular working pattern which could result in averaging less than the required 35 hours. A significant break from work overseas is considered to be a break of 31 or more days when you do not work overseas. Exceptions are allowed for annual, sick and parenting leave.

  It is also a requirement that you do not spend more than 30 workdays in the UK during the tax year. A working day for this purpose is regarded as more than 3 hours of work in the UK. Any type of work will count towards the three hours including training or travelling for business. You must also ensure you spend less than 91 days in the UK during the tax year. A day of presence for these purposes will count if you are in the UK at midnight. Days in transit may be excluded (for example where you find yourself in an airport at midnight en route to another destination). If you work on board a vehicle, aircraft or ship and you make at least six cross border trips as part of this job then you will not be regarded as working full time overseas and cannot be considered non-resident under this test.

Residence

If you do not fall into any of the categories for automatic non-residence then you will need to consider if you fall into any of the categories that will make you automatically resident:

- **You spend at least 183 days in the UK.**
- **Your only home is in the UK.** You will satisfy the conditions of this test if you occupy a UK home for at least 30 days during the tax year. This home also needs to be available for a 91 day period, at least 30 of these days are in the tax year concerned, and during that 91 day period you do not have any home overseas or if you do have a home overseas you were present there for less than 30 days in the tax year concerned.

- **You work full time in the UK.** You will be regarded as working full time in the UK if you average a 35 hour working week in the UK and there are no significant breaks in your employment. The same exemptions are available as the full time work overseas test explained above. Again if you have an irregular working pattern you should consult an advisor to see if you will average a 35 hour working week in the UK as the rules are complex. If you work abroad and your non-UK workdays are 25% or more of your working days you will not be deemed resident under this test. For example if 26% of your workdays in the tax year are outside the UK, then you are not working full time in the UK for the purposes of this test. If you work on board a vehicle, aircraft or ship and you make at least six cross border trips as part of this job then you will not be regarded as working full time in the UK and will not be considered resident under this test although you maybe resident under other tests.

Resident based on personal connections to the UK

If you are not regarded as resident under any of the tests outlined above, you may still become resident in the UK but it will be determined by comparing any personal ties you have to the UK with the amount of days you spend in the UK during the tax year. This is referred to as the 'sufficient ties test'. The amount of ties you have to the UK sets the threshold of days you can spend in the UK before being regarded as resident.

The following UK ties are relevant for determining this threshold:

- **A family tie:** You will have a family tie if you have a spouse, a civil partner, a partner (who you live with as 'husband and wife'), or a child under 18 who is/are tax resident in the UK. There are exemptions so that children who spend less than 21 days outside of school term time in the UK will not be regarded as resident here for this purpose.
- **Accommodation tie:** You will have an accommodation tie if you have a place to live in the UK which is available for at least 91 days and you spend at least one night in that place in the tax year. If the accommodation is the home of a close relative it would need to be stayed in for 16 nights in order for you to be regarded as having an accommodation tie.
- **Work tie:** If you work in the UK for at least 40 days in the tax year you will have a work tie. A day is counted in the same way as the full time work overseas test (i.e. more than 3 hours work is a UK workday) If you work on board a vehicle, aircraft or ship then a cross border trip beginning in the UK will count as a workday but a trip ending in the UK would not be regarded as a workday for these purposes.
- **90 day tie:** You will have a 90 tie if you spend more than 90 midnights in the UK in either or both of the previous two tax years.

If you have been resident in the UK in any of the previous three tax years there is an additional tie you may have in the UK:

- **Country tie:** You will have a country tie if you spend more midnights in the UK than any other country.

Days threshold

This table shows the number of days spent in the UK that will trigger residence when combined with your personal ties to the UK.

The first table shows the days applicable if you have been resident in any of the previous three tax years.

Days spent in the UK in the tax year	Number of sufficient ties
More than 15	4 ties
More than 45	3 ties
More than 90	2 ties
More than 120	1 tie

The second tables applies if you have not been resident in any of the previous three tax years.

Days spent in the UK in the tax year	Number of sufficient ties
More than 45	All 4 ties
More than 90	3 ties
More than 120	2 ties

Appendix I: (Cont)

What if I do not meet the conditions of the sufficient ties test?

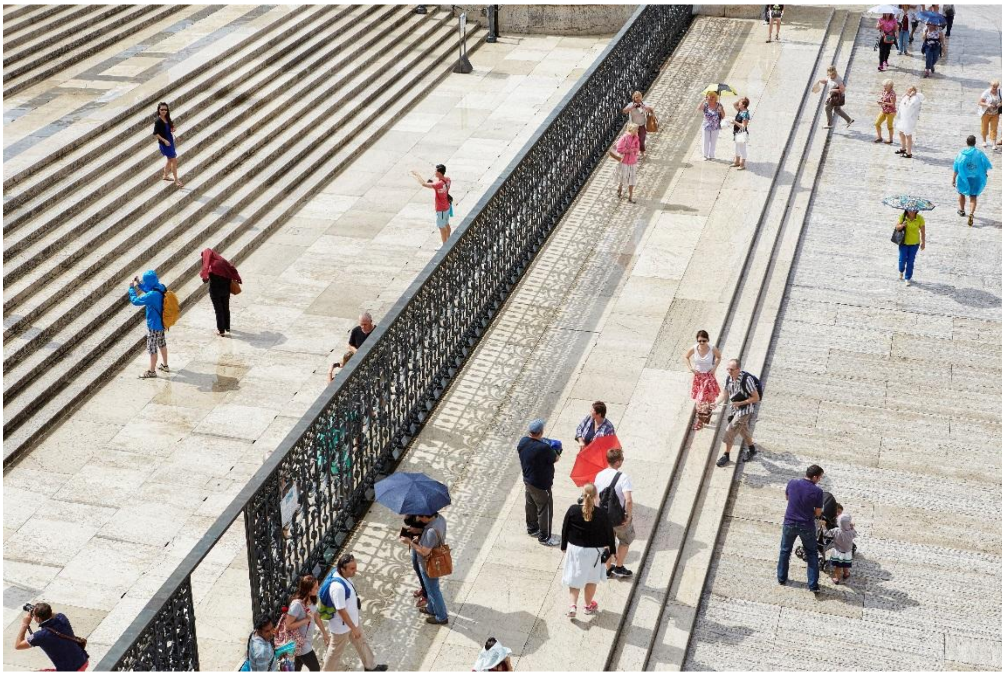
If you do not exceed the days threshold based on your sufficient ties then you are regarded as non resident for that tax year

How to count days of presence

You count a day of presence if you are present in the UK at midnight. There are exceptions to this:

If you arrive in the UK in transit then you will not be regarded as having spent a day in the UK if you are here at midnight. A typical example is where an individual flies into an international airport and needs to wait for a connecting flight such that they spent a midnight in the UK. This will not be treated as a day spent in the UK provided that you do not undertake activities which are to a substantial extent unrelated to you journey (for example holding a business meeting in a departure lounge).

You will not be regarded as present in the UK at midnight if you are prevented from leaving due to 'exceptional circumstances'. Exceptional circumstances would include national or local emergencies such as war, civil unrest or natural disasters or life threatening illness or injury. This would include situations where your close family member is taken ill. The maximum number of days that can be excluded is 60.



The deeming rule

A day of presence is based on you being physically present in the UK at midnight. The deeming rule is designed to prevent people spending a large amount of days in the UK and organising their affairs such that they can be out of the UK before midnight.

This deeming rule means that days when you are present in the UK, but not present at midnight, can count as a day spent in the UK. It will apply where:

- You have at least three sufficient ties, and;
- You have been resident for at least one of the previous three tax years, and;
- The number of days when you are present in the UK at some point (but not at midnight) exceeds 30 days.

If these tests are met then any days when you are present in the UK at some point will count as actual days spent in the UK. The first 30 of these deemed days are disregarded. For example if you have 40 deemed days, then you will be regarded as having spent 10 days in the UK, because you ignore the first 30.

Domicile

Under UK law, every individual has a domicile, indicating which country has jurisdiction for matrimonial and inheritance purposes, and also for certain tax purposes. Domicile is quite different from residence since it rarely changes in the way that residence does as an individual moves from country to country. A child acquires its father's domicile at birth. This is normally retained when the child grows up, unless the individual makes a permanent home in another country.

A foreign national working in the UK for a limited period will generally succeed in being regarded as non-UK domiciled. This is because there will quite clearly be no intention to settle permanently, i.e. retire in the UK. If you do plan to settle in the UK indefinitely, but not permanently in this sense, or if you are a UK emigrant returning to work for a limited period, there is a risk of becoming domiciled. In these cases you should consult your PwC adviser.

If you are non-domiciled you are able to claim advantages in the taxation of earnings, investment income and capital gains (see comments regarding the remittance basis in section 2). Domicile is also fundamental to the UK's jurisdiction for inheritance tax purposes.

There is an additional rule that you are deemed to be UK domiciled for inheritance tax purposes if you are UK tax resident in 17 of the last 20 UK tax years.

Note that the UK government has changed the deemed domicile rules from **6 April 2017**, including so that:

- An individual is deemed to be domiciled for income tax, CGT and inheritance tax purposes if UK tax resident in 15 of the last 20 tax years, and
- An individual who is born in the UK and who is UK domiciled at birth will not be able to claim that they are not domiciled for tax purposes while they are resident in the UK.

These deemed domicile rules apply from the 2017/2018 tax year.

Records

As previously noted HMRC does not require any forms to be completed on arrival.

Appendix II
Remittances to the UK

If you are non-UK domiciled but tax resident in the UK, you can make a claim that your foreign income and gains are taxed only to the extent they are paid in or remitted to the UK.

There are limited circumstances where the remittance basis can apply without a formal claim and these are considered in more detail below.

Income and gains that may be taxed on the remittance basis include:

- Earnings paid outside the UK and attributable to workdays outside the UK (where you are resident and eligible for overseas workday relief).
- Earnings from a separate employment with a non-UK resident employer (where the duties are performed wholly outside the UK).
- Most common forms of investment income arising from assets or funds based outside the UK.
- Capital gains arising from the disposal of assets situated outside the UK.

Where the remittance basis applies without claim

The remittance basis may apply automatically without a claim if you are resident in the UK but not domiciled and:

- Your total unremitted offshore income and gains in the UK tax year amount to less than £2,000 (please note that if you are taxed on a split tax year basis, the £2,000 limit is measured against income and gains relating to the UK part of the split year), or
- You make no remittances of relevant income or gains to the UK, you have been resident in the UK in not more than six out of the previous nine UK tax years (or you are under 18 throughout the tax year) and you have no UK investment income taxed at source or gains (other than UK bank interest taxed at source and not exceeding £100 in the UK tax year).

Exemption for low incomes

In some circumstances, employees on low incomes who work wholly or partly in the UK, although they are taxed on the arising basis, are given an exemption from tax in respect of their foreign income. The following conditions have to be met in full.

- You are a basic rate (and not a higher or an additional rate) taxpayer.
- All of your offshore earnings and offshore investment income (which cannot exceed £10,000 and £100 per UK tax year respectively) are subject to foreign taxes.
- You have no other offshore income and/or capital gains.
- You do not file a UK tax return.

If any of those conditions is not met, or if HMRC issues a tax return to you for completion, the exemption cannot apply.

Claiming the remittance basis

In all other circumstances, if you claim to be taxed on the remittance basis you will normally give up your tax-free personal allowance for income tax and your annual exemption for CGT purposes for that tax year. It may be possible to claim under a double tax treaty to reinstate the personal allowance for income tax but in very limited circumstances.

You can decide on a year-by-year basis whether or not to elect for the remittance basis, and you will need to consider each year how much tax you would have to pay if taxed on all of your income and gains worldwide, and compare this to the tax you would pay if you claimed the remittance basis for your foreign income and gains and gave up your personal allowance and annual exemption.

You should also bear in mind the time and any administrative costs that may be involved in collating all relevant information to be taxed on the arising basis. For example, currency other than sterling is normally a chargeable asset for CGT purposes so you will need to gather and retain details of each currency transaction so that any capital gain or loss arising on disposal of the currency can be considered.

The remittance basis charge

Anyone who has been resident in the UK in at least seven out of the previous nine UK tax years will have to pay an additional £30,000 annually if he or she wishes to claim the remittance basis. This increases to £60,000 for taxpayers who have been resident in the UK for 12 years or more out of the last 14 and to £90,000 if resident in at least 17 out of the 20 previous UK tax years. (As noted above, the UK Government has changed the deemed domicile rules from 6 April 2017, the effect of which means that the £90,000 charge will no longer apply from the 2017/2018 tax year onwards.

Pre-assignment capital

You are not taxed on remittances of overseas employment income earned before you became resident. The UK cannot normally tax you on remittances of pre-assignment investment income and capital gains realised before you become resident in the UK. To take full advantage of these exemptions you will need to be able to identify the nature of any funds you are remitting to the UK, and you should, accordingly, take professional advice on how best to segregate any pre-residence income and gains that you may wish to remit to the UK in due course.

Broadly, anyone who on leaving the UK has been a UK resident for four out of seven of the previous UK tax years may be taxed on any remittance made of remittance basis income arising while he was UK resident but remitted to the UK during his or her absence unless he or she leaves the UK for a period of more than five years.

Types of remittance

A remittance to the UK is not restricted to the physical transfer of funds into the UK. It also includes any money or property that is brought to, received in, or used in the UK, by or for the benefit of a relevant person, where the property derives from offshore income or gains.

It also includes the provision of services in the UK for you and other relevant persons (please see below) where the consideration for that service derives from offshore income and gains. Loans or indirect fund or credit transfers to the UK may also give rise to remittances. The most common example of this type of remittance is using a credit card in the UK (including a foreign credit card) and then paying the bill from funds held outside the UK.

Exceptions to the remittance rules

There are certain limited exceptions to the remittance rules for the following assets:

- Personal effects (clothes, footwear, jewellery and watches)
- Assets costing less than £1,000 (and not forming part of any set)
- Assets brought to the UK for no more than 275 days in total, or
- Assets brought to the UK for repair or restoration.

To the extent that these are brought to the UK on or after 6 April 2008 they will not be regarded as taxable remittances.

In addition, works of art brought to the UK for public display will not normally constitute a remittance of the funds with which they were purchased.

Remittances in a later tax year

Where the remittance basis has been claimed, the remittance of any offshore employment income in a later tax year will be taxable when the remittance is made. Offshore investment income and capital gains may also be taxed if remitted during a later year of tax residence, or in some circumstances by a non-resident taxpayer.

A relevant person would include you, your spouse or civil partner, and your children or grandchildren if they are under 18, as well as certain trusts and offshore companies. For this purpose if you are living with someone as a common-law partner, or in a civil partnership he or she will be regarded as a spouse or civil partner. We recommend you seek specific detailed advice on these rules, as necessary.

Appendix II (cont)

Identification of offshore

When funds are remitted to the UK it is important to identify the source of the funds remitted and to establish whether a tax liability arises. If you have significant foreign income or capital gains that will be taxed if remitted to the UK, you should take action to minimise the risk of triggering unnecessary UK tax as a result of remitting the wrong overseas funds. This is done by segregating the income and gains that would be taxable if remitted from other foreign income and capital which you can remit without incurring UK tax. So you might, for example, wish to establish separate accounts for any capital accrued before your arrival in the UK and income arising on that capital. You might also wish to establish separate accounts for income (taxed at a marginal rate of 45%) and capital gains (generally taxed at a marginal rate of 20%, subject to certain exceptions).

In many cases, it may not be practical to operate numerous bank accounts and all funds may be held in one account. In this case, where funds form an account which contains more than one type of income and/or gain (a mixed fund) particular statutory rules apply. The mixed fund rules also apply where income or gains of more than one year are held in a single account. To determine what any particular transfer comprises, you first have to establish the different types of income, gains and capital included in any mixed fund prior to the transfer, which is done on the basis of fact.

Any payment from an offshore mixed fund account is subject to either one of two sets of statutory rules, depending on whether the payment is a remittance to the UK or some form of offshore payment or transfer. If it is the latter it will be subject to the rules applicable to offshore transfers, otherwise the rules for UK remittances will apply. The analysis of what has been remitted is greatly simplified for individuals resident and entitled to overseas workday relief where they have a qualifying account – see below for more details.

Offshore transfers and other payments offshore

Any offshore payment or transfer will be regarded as containing pro rata whatever income and gains are contained in the account immediately before the transfer. So, for example, immediately before a £10,000 transfer was made to another offshore bank account, assume that a mixed fund account contained £100,000. This £100,000 comprised:

- £50,000 UK workday related employment income.
- £20,000 overseas employment income.
- £20,000 foreign investment income, and
- £10,000 of capital gains.

The £10,000 transfer would be made up as follows:

- £5,000 UK employment income.
- £2,000 overseas employment income.
- £2,000 foreign investment income, and
- £1,000 capital gains.

UK remittances

Any UK transfer will be regarded as being made up of the different types of income and capital of that particular tax year in the order set out below. If the transfer exceeds the income and capital in the mixed fund for that particular tax year immediately prior to the remittance, income and gains from earlier tax years are then considered year-by-year, taking the most recent year first and working backwards from there.

The order in which different sources of funds are regarded as remitted to the UK from a mixed fund is listed below.

- Employment income not listed in any of the other categories below, including employment income which has already been taxed in the UK because it derives from your UK duties.
- General foreign earnings (e.g. relating to overseas workdays) that have not been subject to foreign taxes.

- Specific foreign employment income (such as income derived from share incentives) that has not been subject to foreign taxes.
- Foreign investment income that has not been subject to foreign tax.
- Foreign chargeable gains that have not been subject to foreign tax.
- Foreign earnings that have been subject to foreign taxes.
- Foreign investment income that has been subject to foreign taxes.
- Foreign chargeable gains that have been subject to foreign taxes.
- Any income or capital (including income or capital already taxed in the UK) not included in the previous eight categories. This will include underlying capital, such as pre-residence earnings, investment income and capital gains.

The law effectively requires taxpayers to consider precisely what is remitted to the UK or transferred or paid elsewhere from a mixed fund every time a payment or transfer from it is made. So a taxpayer needs to determine what an account comprises before any transaction, bearing in mind what has already gone in and out of the account, in order to identify what the payment or transfer comprises.

Taxable amounts are considered to be remitted to the UK in priority to capital, which is to the taxpayer's disadvantage. So it is important to consider the tax savings you could make by operating multiple bank accounts which would allow you to demonstrate which funds have been remitted to the UK.

Relaxing the mixed fund rules

Special rules (called the Special Mixed Fund Rules) apply to relax the strict application of the mixed fund rules for employees claiming overseas workday relief. The relaxation to the mixed fund rules effectively allows taxpayers to defer the analysis of which funds have been remitted from their account until after the end of the tax year concerned. You can then undertake the analysis on an annualised basis.

This makes the analysis of what has been remitted to the UK much more straightforward than the position under the mixed fund rules. It removes the administrative burden of tracking every transaction in a bank account for each tax year on a real time basis.

In order to benefit from this relaxation it is necessary to have a 'qualifying account'.

How do I have a qualifying account?

A qualifying account must comply with the following conditions:

- It must be an 'ordinary bank account' held by the individual overseas. Overseas for these purposes would include the Isle of Man, Jersey and Guernsey. The account may be a joint account but only the individual can have employment income paid into it.
- The account must have employment income paid into it that contains both UK and overseas workday income taxed on the remittance basis.
- The account must have a balance **of no more than £10** when earnings from the employment are first deposited into the account.
- It is important that the account has never previously held employment income which comprised both UK and non-UK workday income.
- The account must be nominated by making an application to HMRC. It is expected that this can be made when filing the annual self assessment tax return. It is necessary to specify the date the account became qualifying.

Once the amounts in each basket of income and/or gains in the account for the UK tax year and the amounts remitted to the UK from the account during the UK tax year have been established, the two can be compared to determine what the total remittances comprise, following the statutory order of remittances as set out in the law. So these special rules minimise the analysis that has to be undertaken. It also means that the analysis can be done at the end of the tax year, rather than on a real time basis.

Remittance planning

Planning can help to limit exposure to UK tax from remittances but it is important to act early, especially before you transfer funds. If you require any advice in this area please contact your PwC adviser.

Even where there is a qualifying account, the ordering rules set out in the law are used to determine the type of income or gains brought to the UK in any remittances, although on an annualised, rather than a transaction-by-transaction, basis.

Under new rules introduced by the UK government from 6 April 2017, non-domiciliaries (other than those with a UK domicile of origin) taxed on the remittance basis have a two year period (i.e. the tax years 2017/18 and 2018/19) during which they can "cleanse" their mixed funds held in overseas bank accounts. This will enable them to rearrange their offshore bank accounts and separate mixed funds into their constituent parts. Please contact your PwC adviser for more details.

Appendix III
Applying the split year rules

If you come into the UK part way through the tax year you will need to consider if you can split the tax year so that you are not regarded as resident for the entire tax year before you arrive in the UK on assignment.

If you are regarded as resident during a tax year then you will be regarded as resident for the entire year. If you come into the UK part way through the tax year you will need to consider if you can split the tax year so that you are not taxable in the overseas part of the tax year. If you fulfill the conditions of one for the following 5 scenarios, you will be able to split the tax year:

Your only home is now in the UK (case 4)

You have a home in the UK and a home abroad and there comes a point in the tax year when you only have one home or more than one home and they are all in the UK. It is necessary that you:

- Have been non-resident in the previous tax year,
- There comes a point when you have only one home and that is in the UK or more than one home and they are all in the UK,
- You do not have sufficient ties to the UK (see Appendix I) in the part of the year before you come to the UK. The day threshold applied in the sufficient ties test is prorated for the period from 6 April to the point at which the tax year is being split.

You begin to work full time in the UK (case 5)

You will split the year when you begin working full time in the UK. It is necessary that:

- There is a 365 day period of work during which you average a 35 hour working week in the UK,
- There are no significant breaks from UK work,
- At least 75% of your working days (a working day being at least three hours of work) are spent in the UK,
- In a similar way to the only home test, you must ensure your sufficient ties and days spent in the UK do not exceed the permitted thresholds between the 6 April and the point at which the tax year would be split.

You are no longer working overseas (case 6)

This will typically apply where you have been working overseas and the assignment or employment ends. It is necessary that you:

- Have been considered tax resident in the UK in one or more of the previous five tax years and,
- Have been non-resident in the previous tax year by virtue of fulfilling the conditions of full time work overseas and,
- You had full time work overseas (requires a 35 hour average overseas working week over a 365 day period) and,
- There were no significant breaks in employment and,

- No more than 30 workdays were spent in the UK (this is prorated so if your assignment ends on 6 October you will need to have no more than 15 workdays) and,
- No more than 90 days of presence are spent in the UK (again these are prorated based on when the full time work ends).

Accompanying partner (case 7)

If you move to the UK in order to continue living with your partner after they return or relocate to the UK it is possible to split the tax year. The tax year will be split on the later of the time when you move to the UK to join your spouse or the day when your spouse no longer works full time abroad. It is necessary for your partner to have split the tax year by virtue of the fact that they are no longer working overseas.

Additionally you must:

- Have been non-resident in the previous tax year and,
- Have less than 90 days of presence in the UK (prorated based on when you move to the UK with your spouse or when your spouse is not longer working full time abroad).

You acquire a home in the UK (case 8)

This will often apply where someone has not been to the UK before and acquires a home in the UK for the first time. It is necessary that:

- You have been non-resident in the previous tax year and,
- There comes a day when you have a home in the UK and you continue to have a home for the whole of the following tax year and,
- You do not have sufficient ties to the UK in the part of the year before you arrive in the UK (see Appendix I). The day threshold applied in the sufficient ties test is prorated for the period from 6 April to the point at which the tax year is being split.

What happens if I fulfill the conditions of more than one of these scenarios?

It will be common for people to satisfy the conditions of more than one of these five scenarios. Where the conditions are fulfilled on different dates in the tax year there is an ordering process to determine which should be applied. You should consult your tax advisor if you fall into this situation but to summarise the ordering process:

- If case 6 applies this takes priority unless case 5 occurs at an earlier date
- Case 7 then applies unless case 5 occurs at an earlier date
- Then if any or all of cases 4, 5 and 8 apply, the earliest date at which any of these cases applies takes priority.

Appendix IV
Double taxation agreement countries

As at December 2017:

- Albania
- Algeria
- Antigua and Barbuda
- Argentina
- Armenia
- Australia
- Austria
- Azerbaijan
- Bahrain
- Bangladesh
- Barbados
- Belarus[1]
- Belgium
- Belize
- Bolivia
- Bosnia and Herzegovina[2]
- Botswana
- British Virgin Islands
- Brunei
- Bulgaria
- Canada
- Cayman Islands
- Chile
- China
- Croatia[2]
- Cyprus
- The Czech Republic
- Denmark
- Egypt
- Estonia
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- Gambia
- Georgia
- Germany
- Ghana
- Greece
- Grenada
- Guernsey
- Guyana
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Ireland
- Isle of Man
- Israel
- Italy
- Ivory Coast
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati and Tuvalu
- Kosovo
- Kuwait
- Latvia
- Lesotho
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macedonia
- Malawi
- Malaysia
- Malta
- Mauritius
- Mexico
- Moldova
- Mongolia
- Montenegro[2]

Notes

1 The agreements with the former Soviet Union will apply to these states until they are replaced by new conventions with each country.

2 The convention with Yugoslavia is to be regarded as remaining in force with the former Yugoslav Republics.

3 The convention with Czechoslovakia is to be regarded as remaining in force with the Slovak Republic.

- Montserrat
- Morocco
- Myanmar
- Namibia
- The Netherlands
- New Zealand
- Nigeria
- Norway
- Oman
- Pakistan
- Panama
- Papua New Guinea
- Philippines
- Poland
- Portugal
- Qatar
- Romania
- Russian Federation
- St Kitts and Nevis
- Saudi Arabia
- Serbia[2]
- Sierra Leone
- Singapore
- Slovak Republic[3]
- Slovenia[2]
- Solomon Islands
- South Africa
- South Korea
- Spain
- Sri Lanka
- Sudan
- Swaziland
- Sweden
- Switzerland
- Taiwan
- Tajikistan
- Thailand
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- UAE
- Uganda
- Ukraine
- Uruguay
- USA
- Uzbekistan
- Venezuela
- Vietnam
- Yugoslavia
- Zambia
- Zimbabwe

Appendix V
Social security overview

You may cease to be liable to pay social security contributions in your home country or become liable to pay UK contributions. Any such change will affect your entitlement to social security benefits, including your social security pension. Whether you are liable to pay social security in the UK, called National Insurance or NIC depends on a number of factors, which include your legal employer during your assignment, which country you are assigned from, your expected assignment length and in some cases your nationality. In particular, your social security position will depend crucially on whether you have been assigned from:

- The European Economic Area (EEA).
- Countries with which the UK has a reciprocal social security agreement, or
- The rest of the world where there is no social security agreement in place.

We have described the treatment in each case below on the assumption that you remain employed by a legal entity based outside the UK and are seconded to work in the UK for a temporary period.

The European Economic Area

If you are an EEA national the basic rule is that you pay contributions in the member state in which you work.

The current EU regulations which relate to workers who are seconded or posted within the EEA generally apply to both EEA nationals and non EEA nationals. (However, the UK and Denmark chose to opt out so the old EU regulations continue to apply to non-EEA nationals moving to/from the UK or Denmark and another EEA country).

If you are transferred temporarily, in most cases you are required to continue to pay only into your home country scheme if your secondment is expected to last for a period of not more than 24 months (12 months under the previous rules) from the outset. If you are covered under the old rules there is scope for the 12 month period to be extended for a further year if the original assignment period is extended. A form A1 (E101 under the old rules) should be obtained by your employer in your home country providing exemption from payment of NIC in the UK.

For assignments extending beyond 24 months (12/24 months under the old rules), the regulations dealing with European transfers and associated member state practice will normally allow you to continue to pay only in your home country for a total period of up to five years.

Countries with which the UK has a reciprocal social security agreement

The UK has negotiated agreements with a number of countries which are intended to deal with the social security implications of temporary transfers. It is necessary to look at the agreement with the country from which you are being transferred.

Some, for instance, will only deal with the question of reciprocation of benefits and not with contributions. But for those that deal with contributions, the general rule is that contributions can usually continue in the home country for the period specified in their respective agreement e.g. five years initially in the case of Canada and the United States. Home country contributions liability continues only if the assignment is expected at the outset to last for no more than the maximum period specified. If the assignment is longer or gets extended beyond the maximum period, contributions will normally cease in the home country and commence in the UK. Generally it should not be necessary to pay contributions in both countries at the same time.

Rest of the world

If you come from a country outside the EEA and from one with which the UK does not have a reciprocal social security contributions agreement, generally you and your host employer must pay UK Class 1 National Insurance contributions from 52 weeks after your arrival, if you do not ordinarily live ('reside') in the UK and you have only come to the UK to work on assignment for a temporary period.

Appendix VI
Social security agreement countries

Member countries of the EEA

Austria	France	Liechtenstein	Romania
Belgium	Germany	Lithuania	Slovakia
Bulgaria	Greece	Luxembourg	Slovenia
Cyprus[3] (excluding the Turkish zone)	Hungary	Malta	Spain
The Czech Republic	Iceland	The Netherlands	Sweden
Denmark[1]	Ireland	Norway	Switzerland[2]
Estonia	Italy	Poland	United Kingdom (including
Finland	Latvia	Portugal	Gibraltar for EEA purposes)

Notes

1.Although the current EU regulations generally apply to non-EEA nationals moving within the EEA, the UK and Denmark have chosen to opt out so old regulations therefore continue to apply to non-EEA nationals moving to/from Denmark or the UK and another EU country.

2.Switzerland is not a member of the EEA or EU, but it applies the EU social security regulations.

3. The EU regulations only apply to qualifying individuals who are assigned into or from the Greek part of Cyprus. As Turkey is not yet part of the EU, the EU regulations do not apply to assignments into or from the Turkish part of Cyprus. The UK/Cyprus bi-lateral agreement covers the whole territory of Cyprus.

Other countries with which the UK has a reciprocal social security agreement

Barbados	Isle of Man+[1]	Macedonia	Republic of Korea[1]
Bermuda	Israel	Mauritius	Serbia
Bosnia and Herzegovina	Jamaica	Montenegro	Turkey
Canada	Japan[1]	New Zealand[2]	USA
Chile	Jersey and Guernsey	Philippines	
Croatia			

Notes

+[1] Letters of administration.

1 The Double Contributions Conventions for Japan and the Republic of Korea only cover social security contribution liability and do not include benefits.

2 Benefits-only agreement.

Countries with which the UK has a separate healthcare agreement

If you are a visitor from the UK to any of the countries listed below, you may be able to get some free or subsidised emergency health care treatment.

Anguilla	Isle of Man
Australia	Montenegro & Monserrat
Bosnia & Macedonia	New Zealand
British Virgin Islands	St Helena
Jersey	Serbia
Gibraltar	Turks and Caicos Islands

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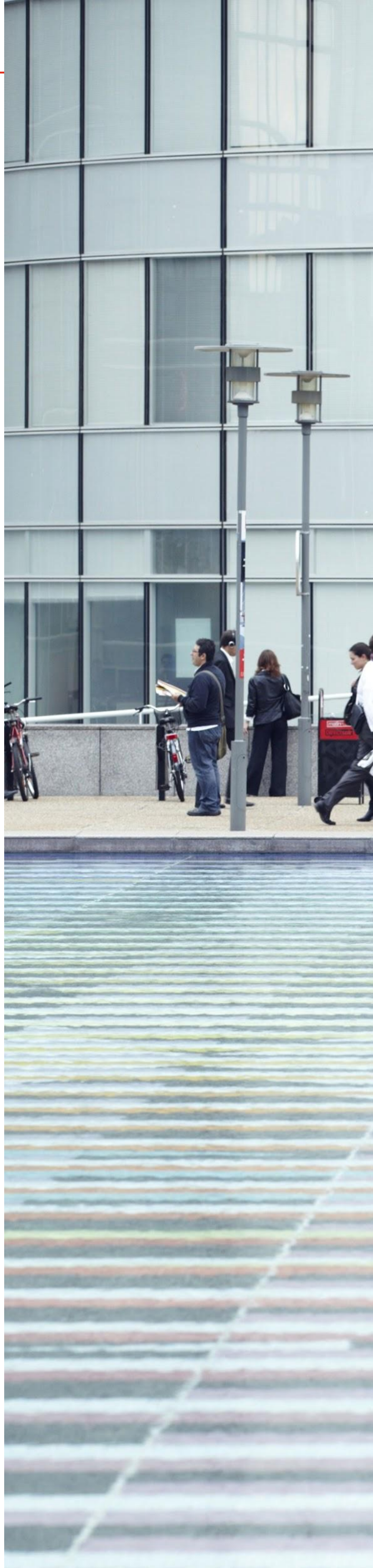

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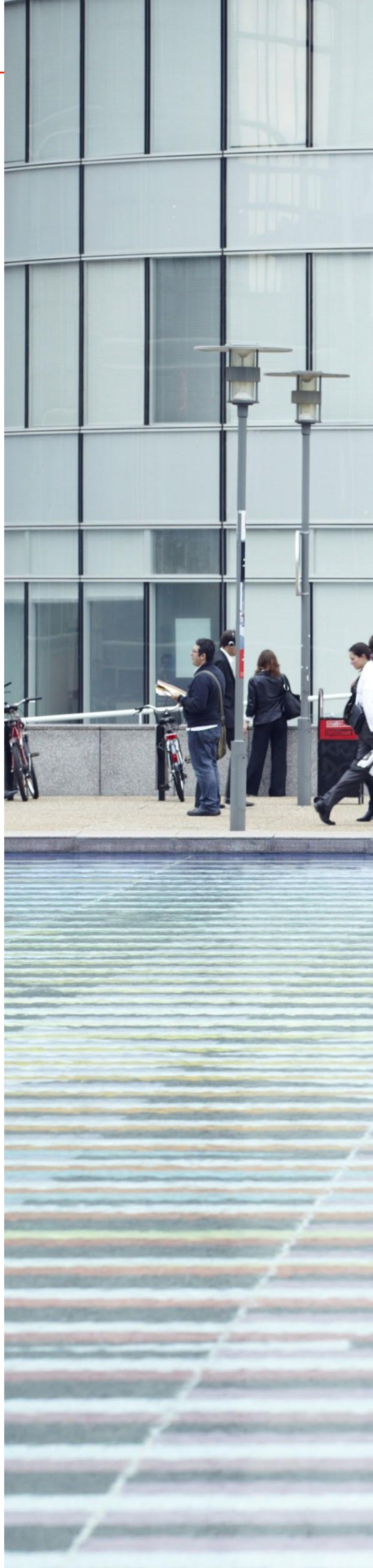

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