



TAX REGIMES IN THE UNITED KINGDOM

ARISING BASIS OF TAXATION VS REMITTANCE BASIS OF TAXATION



ARISING BASIS OF TAXATION

The ordinary tax regime applicable is known as the “Arising basis”. **An individual UK tax resident is subject to UK tax on worldwide income and gains (wherever in the world the income is paid or received or gains arise).**

Personal allowance every year in respect of UK income tax and annual exempt amount in respect of UK capital gains tax apply.

Relief may be available (based on double tax treaties) where local taxes are paid on income or gain.



REMITTANCE BASIS OF TAXATION

A particular tax regime may apply known as the “Remittance basis”. **It may apply to UK resident individuals who are non-UK domiciled.**

It allows **none UK tax liability in respect of all foreign income and capital gains, provided they are not remitted to the UK, i.e. brought to, received in or used in the UK by resident individuals or ‘relevant persons’.**

The concept of “remittance” is wide and should be understood and contemplated at any time. **UK tax would be chargeable on all UK source income arising and UK capital gains accruing in the relevant UK tax year** (from 6 April to 5 April next year).

UK tax would be paid on remittances of offshore income and/or gains.

‘Clean capital’ held overseas can be spent in the UK tax free (cash being considered as ‘clean capital’, inheritance or gift received, any income and gains on which UK taxes have been paid). Personal allowance and tax exempt amount do not apply. Relief based on double tax treaties may not usually apply.

UK resident non-UK domiciled individuals who hold foreign income and gains can elect to be taxed under the remittance basis of taxation each tax year. Option to opt in and out.

Remittance basis of taxation is usually claimed (a claim is not required where a UK resident non-UK domiciled individual earns less than/or GBP 2’000 of unremitted offshore income/gains in a tax year).

During the first seven years of residence no charge applies to benefit from the remittance basis of taxation. Then, where a non-UK domiciled individual has been resident in the UK for at least seven years in the nine preceding years, he must claim the remittance basis and he must pay a remittance basis charge (“RBT”) of GBP 30’000 each year. The RBT increases to GBP 60’000 if the non-UK domiciled individual has been resident for at least twelve years in the previous fourteen years.



“DEEMED DOMICILE”- SPECIFICITIES

Since 6 April 2017, non-UK domiciled individuals who have been resident in the UK for at least 15 years in the twenty preceding tax years will no longer be able to benefit from the remittance basis.

They will be considered as “deemed domiciled” for UK income tax and UK capital gains tax purposes in their sixteenth year of residence.

They will be taxed on their worldwide income and gains. In addition, their worldwide assets will fall within the scope of UK inheritance tax (“IHT”).



COMMON REPORTING STANDARD

The UK has adopted the Common Reporting Standard for the automatic exchange of information.

The UK is a party to the Multilateral Competent Authority Agreement.

EDMOND DE ROTHSCHILD'S INTERNATIONAL WEALTH PLANNING
NETWORK IS AT YOUR DISPOSAL FOR ANY FURTHER INFORMATION.

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