



## Global Insight

### Common misconceptions: the UK taxation of “expats”

Organisations that send overseas employees, directors, consultants and contractors to the UK may not realise that they have a number of UK tax obligations. The UK tax authorities do not accept misunderstanding the rules as a valid reason for getting it wrong, so penalties for compliance failures can be harsh. This Global Insight provides an overview of the key considerations.

#### Myth #1 “183 days”

Provided an individual spends less than 183 days in the UK, then they won't be liable to UK tax.

The tax situation can be complex and relies on a number of factors, not just number of days spent in the UK. For instance, if costs are recharged to the UK there is a significant risk that tax is due and the employer should operate UK wage withholding (PAYE).

#### Myth #2 “Non-UK employer”

If the individual is employed overseas there are no UK tax issues.

There may be UK tax obligations regardless of who the employer is. For instance, the UK company might be regarded as the ‘host’ employer and be required to withhold UK PAYE tax.

#### Myth #3 “Salary is paid overseas”

The foreign company pays the salary overseas so there are no UK tax issues to worry about.

It does not normally matter who pays the employee's salary; it may still be taxable in the UK unless it is exempt under the terms of a tax treaty. A UK ‘shadow’ payroll will have to be operated in addition to the overseas payroll.

#### Myth #4 “Non-resident directors”

Provided non-resident directors of UK companies don't spend much time in the UK, they don't have to worry about paying UK tax.

Many non-resident directors will not establish tax residence in the UK. However, a tough penalty regime could catch out those that do not file a UK return or have income that is chargeable to UK tax, such as accommodation expenses when travelling to the UK. The UK company should also check if they have PAYE and P11D reporting obligations.

#### Myth #5 “UK National Insurance” (“NICs”)

There is no need to worry about UK social security taxes (“NICs”) as they are insignificant.

Employees and employers may be required to pay UK NICs unless the employer holds a valid exemption certificate issued from the home country under a social security agreement. Not all countries have a social security agreement with the UK. This is a significant tax that should not be ignored - NIC now accounts for almost 22% of the UK Government's total tax revenue (compared to 10% from corporation taxes).

### Myth #6 “Overseas pensions”

Pensions schemes outside of the UK are not an issue.

Contributing to a non-UK pension can be a UK tax issue for expats working in the UK. For instance, employer contributions might be treated as a taxable benefit in some circumstances. UK employers may also have to auto-enrol expats working in the UK into a UK pension scheme.

### Myth #7 “Benefits and expenses”

The employee is receiving offshore benefits and expenses but as they are paid outside the UK, nothing needs to be reported.

An employer will generally have an obligation to report taxable benefits and expenses for overseas expats working in the UK, regardless of where they are paid.

### Myth #8 “Share-related income”

The company does not need to report share options, restricted shares, etc. on Form 42 for expats, or withhold UK tax/NIC on their overseas gains.

Employers are required to include all reportable events relating to ‘employment-related’ securities and securities options on Form 42. PAYE and NICs must be operated on all taxable amounts. These obligations can apply to overseas share plans and to expats working in the UK. Significant penalties including 100% of the tax due are imposed for failures.

### Myth #9 “Personal issues”

Residence, treaties and income tax are all problems for the individual and not the company.

If the individual becomes chargeable to UK tax then the company will usually have a corresponding obligation to operate payroll taxes in the UK (PAYE and NIC).

### Myth #10 “Income tax, corporate tax and immigration”

Income tax, corporate tax and immigration rules are all separate.

They are all very important and need to be considered when an individual from overseas is sent to work in the UK. Are they allowed to work in the UK? What is the nature of the work they are doing and are they creating a permanent establishment of the overseas company in the UK? Do they have to pay UK income tax? Does the employer have to withhold PAYE tax and NICs?

### Blick Rothenberg: Global Insight

In an increasingly globalised world, business and individuals face a wide range of tax challenges and opportunities every day. Blick Rothenberg produce a variety of thought leadership and other materials to help keep you informed of the tax issues that affect you.

Blick Rothenberg is a leading accountancy firm and supports over 800 international businesses. Our specialist Expatriate Tax Services team has considerable experience in helping organisations and individuals who work across international borders with tax and payroll compliance, tax planning and related policy issues.

Blick Rothenberg was named winner of the Best International and Expatriate Tax Team at the Taxation Awards 2015. Recognised as a mark of excellence within the sector, the awards were judged by a panel of leading professionals and officers of major tax institutions.

We have also been highly commended by the Chartered Institute of Payroll Professionals (CIPP) as being a leading firm in the provision of international payroll services.

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