BLICK ROTHENBERG

Global Insight

Coming to work in the UK: an employee tax guide

Coming to work in the UK can be a very rewarding experience. However, tax rules are complex and can be costly if you get them wrong. In this Global Insight we highlight the key tax issues an employee should consider when coming to the UK.

Before you come to the UK

Is there any tax planning that I should do before coming to the UK?

The UK has a beneficial tax regime for expatriates which can significantly reduce the amount of UK tax due. It is important that you understand what UK tax reliefs you can claim and the conditions that you must meet*. You should try to manage this tax planning before you come to the UK, for instance:

- you should understand how to effectively structure your offshore and UK bank accounts before arriving to benefit from both relief on days worked outside of the UK and to shelter certain offshore income from UK taxation; and
- you should understand how best to structure your assignment to benefit from relief for accommodation, travel and subsistence.

Consulting with a specialist UK tax adviser in advance of your move to the UK is therefore highly recommended.

When you arrive

Will I have to pay UK tax?

You will be liable to pay UK tax unless you can claim relief under a Double Tax Agreement (generally only relevant if you are spending very short periods of time here and costs are not borne in the UK).

Do I need to register with the UK tax authorities?

On arrival, you must submit certain tax forms to the UK tax authorities, HM Revenue & Customs ("HMRC"), to let them know that you have arrived in the UK. They can then correctly set up your UK tax records.

Are my earnings subject to UK wage withholding ("PAYE")?

You will usually have to pay UK wage withholding ("PAYE") even if you are not paid in the UK or if you are still suffering withholding in your home country. In certain circumstances it is possible to apply to the tax authorities to have the UK and overseas wage withholding reduced.

Will I have to file a UK tax return?

In most situations you will need to file a UK tax return to report UK taxable income, disclose certain information such as residence status and claim the benefit of UK tax reliefs and credits. Each spouse or civil partner with sufficient UK taxable income is required to file a separate tax return. It is not possible to file a joint return.

How will I be taxed in the UK?

In general terms, if you are regarded as:

- Non-resident then you will only be taxed on income attributable to UK workdays and income arising in the UK.
- Short-term residents (less than three years) are potentially taxed on all employment income and potentially worldwide income but, subject to certain conditions, can claim to be taxed only on UK workdays.
- Longer-term residents will typically be taxable on all employment income and potentially worldwide income. As an indication, anything over three years may be regarded as longer-term.

Share related income such as share options and restricted shares have different rules and will depend on individual circumstances and on specific share plan rules.

What is my UK tax residence status?

Your residence status is a key factor used to determine what income is taxed in the UK.

A UK Statutory Residence Test ("SRT") applies from 6 April 2013. This provides a number of detailed tests to determine; your UK residence based on the amount of time you spend in the UK, where you work, where your family is based and the location of your home.

It is critical that you carefully review your UK residence status on an annual basis under the SRT. If your assignment started before 6 April 2013, then you will need to understand both how the old rules apply, as well as be aware of these new rule changes.

Offshore income and the "remittance" basis

Most foreign nationals coming to the UK will be regarded as not "domiciled" in the UK. If you are not UK domiciled but tax resident, you can make an election to only be taxed on income that is "earned" in the UK plus income that you "remit" to the UK. This gives you the opportunity to shelter offshore income from UK taxation rather than being taxed in the UK on your worldwide income.

It is fairly common for expats to make this election as it can help achieve some significant tax savings. However, an annual election is required on your UK tax return so a decision can be made each year about whether it is beneficial.

Non-residents are only usually taxed on UK income.

What if I only visit the UK for short business trips?

There may still be an obligation to pay UK tax. The tax rules applying to short term business visitors depend on a combination of different factors. These include; how much time is spent in the UK, whether the costs of your visit are borne or recharged to the UK and who your legal and economic employers are.

What is tax equalisation?

Some organisations agree to pay the UK taxes on behalf of the employee while on assignment. In return, the employee continues to pay home country tax or an amount equivalent to the home tax they would have paid had they not gone on an assignment. This arrangement is called "tax equalisation".

If you are not sure if this applies to you, it may be worth clarifying with your employer. It is also important to understand what income is covered by this arrangement with your employer.

Personal income

Income such as UK bank interest, UK dividends, UK rental income and UK capital gains is usually taxable regardless of residence status. A taxpayer is only required to report 50% of the income when held jointly (assuming ownership is 50:50). Tax at a lower rate is usually deducted from investment income at source. If you are liable to pay higher rates of tax, there will be additional tax to pay.

Social security

Do I need to pay UK social security tax? (National Insurance Contributions "NICs")

The UK has international agreements with a limited number of countries that allow you to claim exemption from UK NICs and remain in your home system. Applicable countries include the USA, Canada and those from the EEA. If you qualify for exemption, your employer should apply for an appropriate exemption certificate, typically called an "A1" or "Certificate of Coverage".

If you are not from an agreement country, then you may need to pay UK NICs either from day one if you have a UK employment contract or from week 53 in other circumstances. You may consider also making voluntary contributions in your home country if this option is available.

Can I remain in my overseas pension?

It may be possible to continue to participate in your home country pension scheme while on assignment in the UK, subject to tax rules in your home country and your pension scheme rules permitting this. In many situations, you can claim UK tax relief for employer pension contributions to your overseas pension scheme subject to conditions. If these conditions are not met, the employer contributions may be regarded as a taxable benefit. In more limited circumstances, it is possible to claim relief in the UK for overseas pension contributions that you personally make.

Am I entitled to state-provided free medical treatment?

Generally, under current legislation anyone considered resident for healthcare purposes is exempt from charges for hospital treatment. This usually includes a person living in the UK for the purposes of employment.

Do I need to obtain a National Insurance number ("NINO")?

You will need to obtain a NINO if you are required to pay National Insurance Contributions ("NICs"). This is your own personal account number to make sure that the NICs and tax you pay are properly recorded on your account. It also acts as a reference number for the social security system. You do not need a NINO if you are not required to pay NICs.

Leaving the UK

De-registration

The act of leaving the UK after your assignment has ended does not necessarily make you non-resident so you should seek advice about your specific circumstances. Typically, if you are leaving the UK to work abroad full-time, and you have no or very limited trips to the UK, then you will be treated as a non-resident.

It is important to let HMRC know that you have left the UK so that they update their records. This is usually done on the UK tax return via a deregistration statement.

Post assignment income

You may remain taxable on income earned during the UK assignment even if it is paid to you after you have left the UK. A UK tax return may therefore still be required after the assignment has finished. Typically, this post-assignment income includes performance bonuses and share related income, partially or wholly earned while on your UK assignment.

How Blick Rothenberg can help

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 900 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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