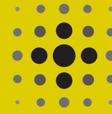

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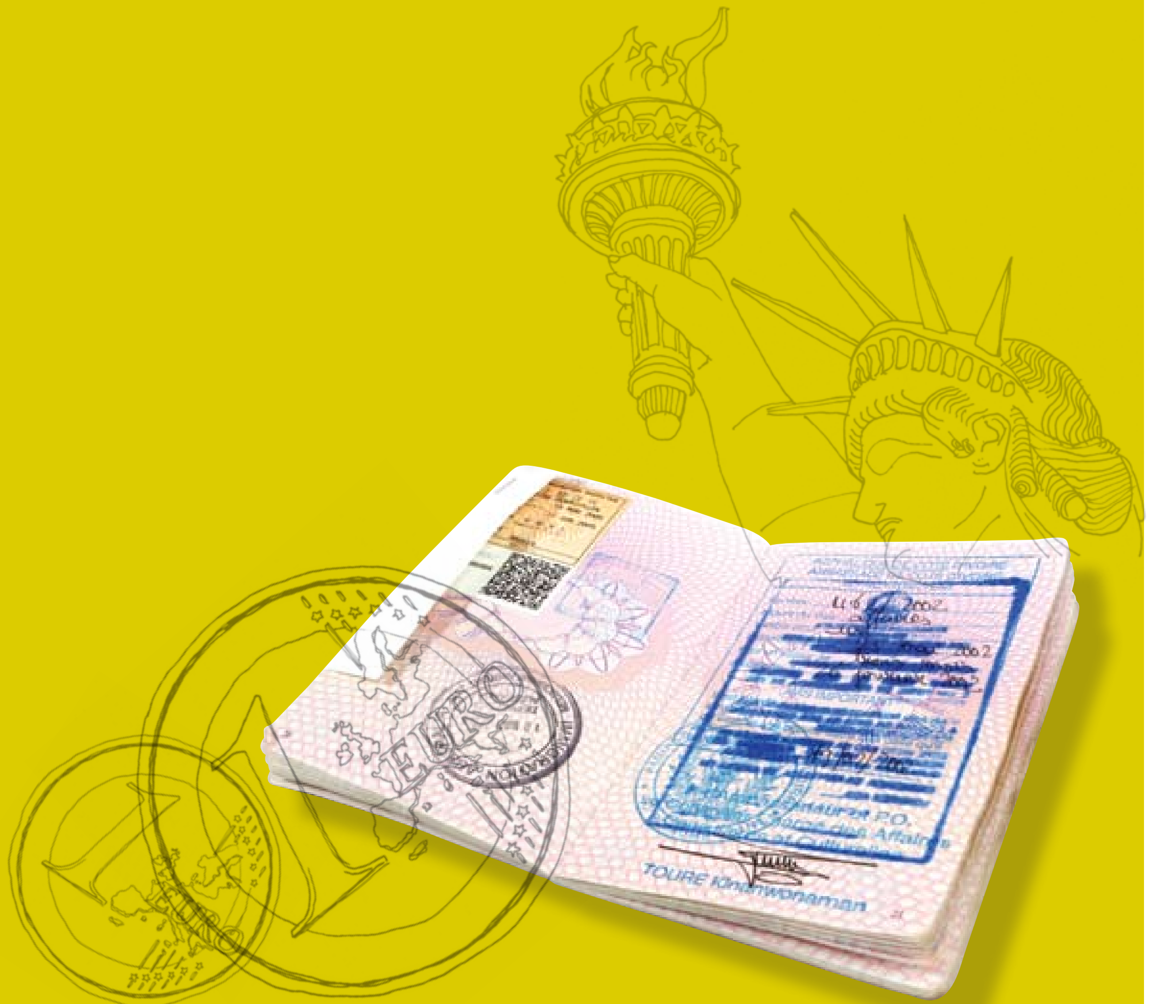
International advisory guide

Working in the UK



CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

This guide is one in a series of documents aimed to help and support individuals and companies who are involved in international business and working abroad.

Other advisory guides in the international series include:

- US citizens working in the UK
- Taxation of Business profits of overseas Enterprises in the UK

An alternative version of this document is available for US citizens

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Overview

There are various tax breaks available to ex-pats in the early years of a secondment to the UK. Remuneration earned for duties performed outside the UK can fall outside the scope of UK income tax and it may also be possible for an ex-pat to claim the costs of their relocation to the UK and all associated travel, subsistence and accommodation costs against their UK tax liability.

Travel and subsistence

The UK Tax Authorities (known as “HM Revenue & Customs” or “HMRC”) administrate special tax rules in respect of travel and subsistence relief for employees who attend a temporary workplace for a period which lasts, or is likely to last not more than 24 months. This includes ex-pats seconded to the UK.

To claim this “detached duty” relief, it is imperative that the secondment to the UK is temporary and that upon cessation there is every chance that the employer will have a job available for the ex-pat back in their home country. All other trimmings of a temporary secondment should also be in place such as possible continuation of rights under the contract of employment, being paid at the same rate as previously and remaining a member of the home country’s pension scheme with the period in the UK contributing towards the pension entitlement and seniority. If there is a termination of the employment in the home country and a major change in the duties in the new workplace, this could indicate a separate employment and HMRC could argue that the period in the UK is a new employment rather than a temporary secondment.

Providing the contract falls within HMRC’s interpretation of a temporary secondment lasting not more than 24 months, the ex-pat should be able to claim relief for the day-to-day cost of business travel associated with the secondment. This can include the cost of travel between the ex-pat’s home and the location of the secondment, accommodation (including rent, insurance, utilities, furniture etc), subsistence and travel between the temporary accommodation and the temporary workplace throughout the detached duty period.

Should a secondment of not more than 24 months subsequently be extended beyond 2 years, detached duty relief will cease to apply from the date that the decision to extend is made.

If the costs of the secondment are to be borne by the employer as part of the ex-pat’s compensation package and subject

to payroll withholding (known as "Pay As You Earn" or "PAYE"), then the ex-pat will be able to make a claim for relief for the expenditure they incur via their year end self assessment tax return and obtain a tax refund. Alternatively, if the employer makes an up-front single payment to the ex-pat that is to do no more than compensate him or her for the additional costs of the temporary secondment, then it may be possible to arrange with HMRC for the sums to be paid gross without the need to operate PAYE. These figures will still need to be reported on the employer's end of year form P11D and the ex-pat will need to keep records of their expenditure and make a claim on their self-assessment tax return, but the latter route will provide a cash flow advantage.

Where no additional compensation is paid by the employer then the ex-pat can still make a claim on their self assessment tax return for the additional costs they have incurred as part of their secondment. Tax relief should be given by a way of a reduction in the earned income chargeable to tax. This should result in a refund of some of the PAYE deducted.

The above reliefs are in addition to the re-location allowance of up to £8,000, available to cover the costs of moving where an employee is required to move home by reason of their employment. To qualify, these costs must be borne by the employer either direct or by reimbursement.

Resident but not ordinarily resident

Generally, when an ex-pat comes to the UK for a period of less than three years then providing the ex-pat does not purchase a property in the UK or acquire one on a lease of greater than three years, they will be treated as resident but not ordinarily resident in the UK for tax purposes from the day of arrival. Should the ex-pat's intention to remain in the UK for a period of less than 3 years change, then they will be deemed ordinarily resident from the 6 April in the year of the change.

The not ordinarily resident tax status has the effect of limiting the charge to tax in the UK to remuneration earned in respect of duties performed in the UK. Any earnings received for duties performed outside the UK will only be assessable to tax in the UK when remitted to the UK. This relief, known as the "overseas work days" relief coupled with any foreign earnings exclusion available in the ex-pat's home country, could see remuneration falling outside the scope of tax altogether.

As the exposure to tax on remuneration earned for duties performed outside the UK is limited to the amounts remitted to the UK, the ex-pat's remuneration will need to be paid into a non-UK bank account. A separate account should be set up for each employment and only the emoluments from that employment should be credited to the account. The non-UK duty remuneration will be determined pro-rata by the number of days the ex-pat spends working outside the UK on non-UK duties. Any remittances to the UK are deemed to come first from the remuneration earned for UK duties and therefore the ex-pats for whom this is appropriate should limit their remittances to the UK.

Where a not ordinarily resident status is achieved, an application can be made to HMRC for PAYE to be applied only in respect of the remuneration earned for UK duties. The application will be made on an estimate between UK and non-UK duties with a balancing adjustment made at the year end. This application is not compulsory but will provide the ex-pat with a cash flow advantage.

If the ex-pat technically loses his not ordinarily resident status only by virtue of the purchase of a property or acquisition of a long lease, the not ordinarily resident status can nonetheless continue, providing the property is disposed of and the ex-pat leaves the UK within 3 years of arrival.

Conclusion – short term contract

The above two tax reliefs are available to ex-pats if their secondment to the UK is for a period of not more than two years in the case of detached duty relief or three years in the case of overseas work days relief. The non-resident and non-ordinary resident tax status is determined at the outset and there is no reason why an ex-pat should not come to the UK on an initial secondment of two years and for this to be extended to no more than 3 years should they be required by the employer to continue working in the UK. To maximise the reliefs, any extension to the initial contract should be made at the last possible moment.

The initial contract and all other underlying documentation (such as projects to be undertaken), should reflect a period of not more than 24 months. HMRC could deny detached duty relief where the ex-pat is booked on projects which are intended to last greater than two years even though this is not mentioned in the contract.

Deduction for home leave

This concerns non-UK domiciled individuals (see below) coming to the UK. A deduction is allowed for the provision by employers of international travel or expense reimbursements for home leave. Where non-domiciled employees come to work in the UK. Relief is only given where the expenditure is borne by the employer either directly or by reimbursement and either of the following conditions are met: -

- The employee was non UK resident in the two years of assessment prior to the year of arrival in the UK, or
- The employee was not present in the UK for any reason, at any time in the two pre-assignment years prior to arrival.

The relief cannot be claimed for more than five years from the date of the employee's first arrival in the UK. There is no limit on the number of journeys. In addition, where an employee is in the UK for a continuous period of 60 days or more, they are entitled to relief for two return visits each year by a spouse/civil partner and child(ren) under the age of 18 to accompany them in the UK. The expenditure must be borne by the employer either direct or by reimbursement.

The home leave refers to the whole of the employee's home country and not just the geography of their home. Therefore should the employer consider this expenditure as part of the non-domiciled employee's compensation package, there is no reason why an ex-pat living in (say) New York could not receive the benefit of tax free flights to California or Hawaii, all part of the USA.

Appendix 1

Meaning of Residence, Ordinary Residence and Domicile

As in the case of most countries, an individual's liability to UK taxation is generally determined by the degree of connection which he has with the UK in a particular tax year. For historical reasons the UK tax year runs from 6 April to 5 April the following year. 'Taxability' in the UK is dependent on whether an individual is resident, ordinarily resident or domiciled in the UK.

These terms are not defined in UK statute but very briefly, they mean: -

1. Resident

This requires physical presence in the UK for 183 days or regular visits to the UK averaging at least 90 days per year over a four year period. With effect from 6 April 2008 a midnight spent in the UK counts as a day in the UK for residence purposes although this rule is revised for passengers in transit and those here under exceptional circumstances.

By law, each tax year must be looked at in its entirety. For example, an individual who arrives in the UK on 5 August 2008 to take up a period of residence is strictly resident in the UK for the whole of the 2008/2009 tax year. By concession, however, providing the individual is intending to stay in the UK for at least two years they are treated as becoming resident in the UK from the date of arrival in the UK i.e. 5 August 2008. The same is true on departure providing it follows a period of residence in the UK.

2. Ordinarily resident

This requires an individual to be habitually resident in the UK. Three years of actual or intended continuous residence is the standard test.

It is possible to be resident in the UK without being ordinarily resident (e.g. an individual who normally lives abroad but comes to work in the UK). Conversely, one can be ordinarily resident in the UK but not resident (e.g. an individual who normally lives in the UK but has gone abroad for a long holiday).

3. Domicile

This is defined as the country of permanent home or the country where an individual would ultimately wish to settle. This is usually the country of birth although it is possible to acquire a domicile of choice. A domicile of choice may be acquired when a person abandons his domicile of origin, relinquishing all ties with that country and adopts another country as his permanent home.

As an example of all three, a non-UK citizen who comes to the UK to take up short term employment of say 2 years would, by concession, be treated as resident but not ordinarily resident in the UK from the date of their arrival to the day following departure. He would remain non UK domiciled throughout.

UK Taxation

Income Tax ("IT")

A UK resident is liable to UK IT on worldwide income, whereas a non-UK resident is liable to UK IT only on UK source income. A UK resident who is either not ordinarily resident or not domiciled in the UK is only liable to UK IT on foreign income if they do not claim the remittance basis or they claim the remittance basis and foreign income is brought into the UK (see "Concept of a Remittance" below).

In the case of employment income the source of the income is the place of performance of the duties of the employment. However in order for the remittance basis to apply:-

1. The employer must additionally be non-UK resident and the duties of the employment must be wholly performed overseas.
2. In the case of a uk domiciled employee who is resident but not ordinarily resident in the UK (irrespective of domicile) there is no requirement that the duties be wholly performed overseas for a non resident employer.

Employer Share Option schemes

Generally there should only be exposure to UK IT where the recipient is resident in the UK at the date of grant, or the option is granted in respect of duties carried out in the UK and the share option scheme has not been approved by the UK Tax Authorities. Capital Gains tax will be in point where the individual is resident or ordinarily resident in the UK at the time when the shares are disposed of.

There are too many scenarios to cover, but the following are the main trigger points where a UK tax charge could arise:-

- The date the option is granted
- The date the option is exercised
- The date the shares acquired on exercise are disposed of
- The assignment or release of an option
- An amendment to the rights attached to the acquired shares
- A conversation of the shares acquired to another class of share

Where an employer share award scheme is in place, advice should be taken at the earliest opportunity to avoid any unforeseen tax liabilities.

From 6 April 2009, the IT rates will generally be 20% or 40% depending on the level of taxable income. The first £6,475 of income is tax-free.

Capital Gains Tax ("CGT")

An individual who is either resident or ordinarily resident in the UK is liable to UK CGT on disposals of worldwide assets. If the individual is resident or ordinary resident but not domiciled in the UK, overseas gains will not be taxed in the UK where the individual claims the remittance basis of taxation and the gains are not remitted to the UK.

From 6 April 2009 the first £10,100 of gains for a year is exempt from CGT and the balance above £10,100 is chargeable to tax at 18%.

The capital gain chargeable to tax is computed by deducting from the proceeds the costs of disposal, the costs of acquisition and any enhancement expenditure. For employees with a 5% or more shareholding in their employer, where the shares have been held for more than 12 months, the resulting capital gain should qualify for "Entrepreneurs'" relief. Entrepreneurs' relief applies on qualifying disposals and has the effect of reducing the gain chargeable to tax by 5/9ths resulting in an effective rate of tax of 10%. Entrepreneurs' relief can be claimed on one or more disposals within a £1million lifetime allowance.

Liability to UK CGT may be avoided on UK assets (for example, any shares or investments acquired in the UK) by delaying the sale until after the individual has ceased to be resident or ordinarily resident in the UK. However should the individual return to the UK without being non-UK resident for 5 complete tax years following the year of departure, the gains arising on assets held prior to departure and disposed of in the intervening period will fall chargeable in the year of return. If such gains prove chargeable to tax in the UK then relief should be available in the UK for any overseas tax suffered. The split year concession for IT can also apply to CGT but is modified.

Inheritance Tax ("IHT")

This tax principally applies on death if the deceased's estate is worth more than the Nil rate band, (£325,000 for 2009/10 tax year). The IHT tax rate on the value of the estate above the Nil rate band is 40%.

Certain lifetime transfers mainly involving trusts are immediately chargeable to IHT, but lifetime transfers between individuals are only chargeable if the transferor dies within 7 years of the transfer. The IHT rate for chargeable lifetime transfers over the Nil rate band is normally 20%.

Transfers between spouses are not transfers of value for IHT purposes and are specifically exempt. This applies to both lifetime transfers and transfers made on death. The exception to this rule concerns spouses with different domiciles where the transferor is UK domiciled. The exemption in this case is limited to £55,000.

The reason for this restriction is to prevent a UK domiciled spouse from giving assets to a foreign domiciled spouse tax free and for the foreign domiciled spouse to then gift them away whilst domiciled outside of the UK, thus avoiding any potential charge to IHT.

The entire world-wide estate of UK domiciled individual is potentially liable to IHT whereas if an individual is not domiciled in the UK, generally only assets located in the UK are chargeable to IHT. It is possible to change the IHT profile by holding the UK assets in a company incorporated outside the UK. The individual would own shares in a non-UK resident company rather than the UK asset, but other taxes such as IT, CGT and stamp duty/stamp duty land tax on the transfer may be in point.

For IHT purposes only, a person will be deemed domiciled in the UK where:

- They were domiciled in the UK at any time within the three years immediately preceding the transfer; or
- They were tax resident in the UK for 17 of the 20 years of assessment ending in the year in which the transfer takes place.

If there is the possibility of acquiring a deemed domicile in the UK, consideration should be given to holding non-UK assets through an offshore trust to keep their value outside of the scope of IHT. The trust should be settled prior to the 17th year of residency, although given the changes to the remittance basis it may be prudent to consider settlement prior to the 7th year of residency.

National Insurance Contributions (NIC)

UK System

In the UK social security/payroll taxes are called National Insurance Contributions ("NIC"). Under the UK National Insurance regulations, employed earners (i.e. employees) are required to pay primary Class 1 NIC at a fixed rate when their earnings exceed a certain threshold. For the 2009/10 tax year, the normal primary NIC rate is 11% on earnings between £5,715 and £43,875 per annum. Above this limit NIC is payable at a rate of 1% albeit this is likely to change in future years.

Primary contributions are collected by the employer under the PAYE system. In addition, secondary Class 1 NIC is payable by the employer at a rate of 12.8% on earnings above £5,715 per annum, without upper limit.

There are three other classes of NIC in the UK but these are unlikely to apply to employed earners, unless they are also self-employed individuals or are themselves employers.

A National Insurance number is allocated to an individual who makes a personal application to the Contributions Agency, (part of HMRC). To support an application, the Contributions Agency will require sight of the following:

- contract of employment
- work permit
- passport
- one other proof of identity containing the applicant's address
- passport style photograph

Overseas issues

No reciprocal social security agreement

Where an individual comes to the UK from a country with no reciprocal social security agreement there is effectively a 52-week contribution holiday in certain circumstances. This contribution holiday applies where an employed earner is resident or present in Great Britain but is not ordinarily resident. In such circumstances, there is liability to neither employees nor employers contributions for the first 52 contribution weeks of presence or residence, provided that:

- The individual is not ordinarily employed in Great Britain; and
- The employment comprises mainly employment outside the UK by an employer whose place of business is outside the UK (regardless of whether there is also a place of business in the UK)

This exemption for the first 52 weeks is most likely to apply to an employee temporarily seconded to the UK. Once the employee has been in the UK for 52 weeks, the "host employer" becomes liable for both the employer's and employee's NIC.

To decide where a person is ordinarily employed it is necessary to look at the terms of the employment contact, expressed or implied, in order to ascertain where the duties are performed. If the employee is placed under a new contract with a UK employer for the duration of the UK assignment, the earner is unlikely to be mainly employed outside the UK nor will his employer's place of business outside of the UK and there will thus be no 52-week contribution holiday.

Reciprocal social security agreement

Where an individual arrives from a country with which the UK has a reciprocal agreement the terms of the agreement will need to be studied to determine the exposure the NIC.

EC regulations

Where an individual who is employed in one member state is sent by their employer to work in another member state, that individual is to remain subject to the contribution laws of the first member state provided that:

- The secondment is not expected to last for more than 12 months; and
- The secondee is not being sent to replace another secondee.

This 12 month period can be extended in certain circumstances.

To ensure that the individual remains within the home state's contribution laws, the employer should apply for the certificate E101 in advance of the secondment. This certificate is also appropriate where an individual is employed in two or more EU states.

National Health Services (NHS)

Individuals who are resident in the UK are entitled to free medical treatment by general practitioners and hospitals, including subsidised dental care under the NHS. There is a small charge for drugs and medicines prescribed under the NHS.

Appendix 4

The Remittance Basis

The taxation of UK resident or ordinary resident but non-UK domiciled individuals changed with effect from 6 April 2008. Previously all UK residents were liable to tax on their world-wide income and gains although non-UK domiciliaries were able to claim the remittance basis in respect of non-UK source income and gains.

Under the remittance basis, non-UK source income and gains were only chargeable to tax in the UK when brought in to the UK. The remittance basis, in a more limited form also applied to UK resident, but not ordinarily resident individuals.

The changes impose a £30,000 charge and/or a withdrawal of tax exemptions for those claiming the remittance basis which may be claimed year by year as desired. The main changes are summarised as follows:

- A de minimis rule allows the remittance basis to be claimed without loss of personal allowances, the capital gains tax annual exemption and the need to pay the £30,000 charge where the un-remitted foreign income and gains are less than £2,000 per year. This rule also applies to those under the age of 18 throughout the fiscal year concerned.
- Unless the de minimis rule applies a claim for the remittance basis will result in the forfeiture of both the annual income tax personal allowance and the annual capital gains tax exemption
- Unless, the de-minimis rule applies, children under the age of 18 years throughout the tax year will be exempt from the £30,000 charge but will suffer the loss of allowances.
- Unless the de-minimis rule applies an individual who has been resident in the UK for 6 or fewer out of the last 9 tax year is exempt from the £30,000 charge but will suffer the loss of allowances.
- Unless the de minimis rule applies, those who choose to be taxed on the remittance basis (having been resident in the UK for at least seven out of the past nine years preceding the relevant tax year) will have to pay a £30,000 charge. If the £30,000 is paid the individual will still be liable to tax on remittances of previously untaxed non-UK income and gains arising in the year of assessment and previous years:
- As an individual can be resident in a tax year if present for only part of a year, individuals who have been resident for five tax years need to monitor their position.
- The charge has been redefined as a charge on un-remitted foreign income and gains. In practice, the £30,000 charge will serve as an offset against IT or CGT of up to that amount due on un-remitted income and gains, and taxpayers can choose which un-remitted funds the charge is to be set against.
- The use of untaxed offshore funds to pay the £30,000 charge will not constitute a remittance provided that the funds are transferred directly to HMRC.
- An individual can opt to pay tax on the remittance basis on a year-by-year basis.
- A remittance need not be made in cash, but can occur when an individual receives income or gain in the UK in any form, or has the power to enjoy that income or gain in the UK. For example, if foreign investment income is used to acquire a work of art overseas, which is then transferred to a UK home after 5 April 2008, this will now be treated as a taxable remittance at the point that the art is brought into the UK.
- It is still possible to separate income and capital so that the source of a remittance can be easily identified, but there are now prescriptive rules which determine the order of remittance where a bank (or similar) account contains funds from a variety of income and capital sources (a mixed fund). The sequence in which monies are matched is as follows:
    - Employment income (other than foreign employment income)
    - Foreign employment income
    - Foreign investment income
    - Foreign chargeable gains
    - UK investment income or capital
- Prior to 6 April 2008 individuals had been able to gift away offshore assets and/or income/gains to a person offshore such that the receipt would be regarded as capital in the hands of the recipient and therefore not taxable when brought into the UK. Alienation of income and gains in this manner has now been restricted. Gifts to close relatives principally spouse/civil partners, minor children, individuals living together as husband and wife/civil partners but not actually married and trusts are no longer effective to ‘wash out’ inherent income or gain. Interestingly alienation to children over the age of 18 is not caught by the rule.
- Where an “interest only” mortgage is taken out to purchase a UK property, the use of foreign income or gains to settle the interest charges will now constitute a taxable remittance to the UK, even if paid overseas.

Appendix 4
continued

In light of the above, if overseas funds are required in the UK, they should ideally be remitted in a tax year prior to arrival but, if that is not possible, then prior to taking up residency. Once UK residence has been established, should funds be required in the UK then a liability to tax can still be avoided in certain circumstances.

There are two principal methods of avoiding UK tax and remittances, one applying only to those who are paying the £30,000 charge annually and the other applying to all comers. Both of these apply to investment income.

Salary income cannot be wrapped into a non-taxable form. Even salary for overseas duties paid by a non-resident employer remains income subject to the remittance basis. In the first six years of residence, the lack of the £30,000 charge may make the use of the remittance basis attractive. Thereafter it may be cheaper to abandon the remittance basis but still tax plan for investment income.

The objective is to separate capital from income and capital gains. There should therefore be an overseas income only bank account containing overseas income, (although where earnings are being subjected to tax on the remittance basis as a result of the individual claiming not ordinarily resident status these should be held in a separate bank account). Overseas capital should be maintained in a separate "capital" bank account to which no income is credited. A third account should also be used to hold proceeds from capital disposals.

To avoid tainting the capital account with income, any interest earned in the capital account should be mandated straight into a separate income account. Any remittances into the UK should first be made from the capital account.

To assist with future identification, it is advantageous to close all bank accounts and set up the capital and income structure referred to above. It is also recommended to up lift the base cost of offshore investments by disposing and re-acquiring them prior to becoming UK resident, although CGT in the host country should be considered. If implemented, where the asset concerned is shares or securities any re-acquisition should be made after 30 days have elapsed.

All Comers

It is essential to avoid foreign income or gains occurring at all. Necessarily, this involves a wrapper for the capital and income/gains. A common vehicle in a non-UK life insurance policy, preferably one where the income and gains are allocated to a specific segment within the policy, allowing the encashment of other segments with no crystallisation of any income or gains. Alternatives, including certain bank accounts, offer "role up" products when income and gains do not crystallise until an end point hopefully after UK residence has ceased.

The 2008 changes include a redefinition of a remittance. The new rule is that property, money or consideration for a service brought to, received or used in the UK and deriving from overseas income and gains is a remittance. This will include for example, settlement of UK credit card bills for UK living expenses from overseas income: importation of assets; payment of interest and capital on overseas loans relating to or secured on UK land repaid from overseas income.

Should a remittance fall taxable in the UK then credit should be given for any overseas tax suffered up to the amount specified in any relevant double taxation agreement.

As an aside where UK residents have settled funds in trust for themselves or their minor children the income arising can fall assessable on them. Similarly if the settlors are also trustees then without planning the trust can fall within the UK tax net.

Appendix 5

Self Assessment

Under the self-assessment tax regime, a taxpayer is obliged to complete a tax return and calculate any tax due for payment. Strict deadlines apply for filing tax returns and paying tax.

Filing requirements

Individual taxpayers are required to calculate their own liabilities to income and capital gains tax when completing their tax returns and a strict filing date applies. Penalties are chargeable if the filing date is not met.

The filing date is normally 31 January after the tax year to which the return relates provided the tax returns is filed electronically. If the tax return is filed as a paper document it must be filed by 31 October after the tax year. In exceptional cases, the filing date is three months after the date of issue of the return if that is issued after 31 October. The normal filing date for the 2009/10 Self-assessment tax return is therefore, 31 October 2010 for paper tax returns and 31 January 2011for electronic returns.

If taxpayers wish to have a tax liability up to £2,000 collected through the PAYE system, the return must be filed by 31 October after the tax year to which the return relates for paper returns and 30 December for electronic returns. No penalties will arise if a return is submitted after that date, but any return submitted later must include a calculation of the taxpayer’s liabilities.

Penalties for late filing

If a return is not submitted until after the filing date, an automatic penalty of £100 will be imposed. An additional £100 penalty will be incurred if the return is submitted more than six months late. Further penalties may be imposed if delays continue. The maximum penalty that may be charged is the amount of tax assessable for the year to which the return relates.

Corrections, amendments and enquiries

HMRC has a period of nine months from the date of submission of the tax return to correct any obvious errors or mistakes such as arithmetic or transposition errors. The taxpayer is entitled to a period of 12 months from the filing date of the return in which to make any amendments. After the 12 month period the taxpayer is still entitled to make a claim for error or mistake relief in certain circumstances, whilst HMRC may make an assessment if there has been fraudulent or negligent conduct or inadequate disclosure on the part of the taxpayer. If HMRC wish to enquire into the tax return, they must do so within 12 months of the date on which the return was delivered (although this period will be extended if the return is filed late). If they do not, the return is treated as final and conclusive subject to any assessment for fraudulent or negligent conduct or inadequate disclosure by the part of the taxpayer. HMRC are entitled to enquire into any return at their discretion and have the power to call for documents belonging to the taxpayer. The taxpayer has the right of appeal against this notice and is entitled to apply for its closure if there are no reasonable grounds for continuing it.

HMRC must issue a formal notice when their enquiries into a return are complete, and the taxpayer has the right of appeal against their conclusions.

Records

The legislation sets out requirements for records that must be kept by taxpayers including details of all receipts and payments. A maximum penalty of £3,000 may be imposed for non-compliance with the record-keeping provisions. Records supporting a return must be retained until the first anniversary of the 31 January following the end of the year of assessment concerned (or for longer if the return is filed late or if an enquiry is in progress). However, the normal time limit is extended if the taxpayer has self-employed business activity (which is deemed for this purpose to include the letting of property) until the fifth anniversary of 31 January following the end of the year of assessment concerned.

Paying tax

Under Self-Assessment, tax is payable on the following dates: -

31 January in tax year - 1st interim payment of income tax for the tax year in question

31 July in tax year - 2nd interim payment of income tax for the tax year to last 5 April

31 January following - Balance of income tax liability and capital gains tax liability for preceding tax year

The interim payments are normally based on one-half of the taxpayer’s total income tax liability for the preceding tax year, less any tax deducted at source. The taxpayer may reduce the interim payments in certain circumstances, and may not be liable to make any interim payments if most of his income is taxed at source or if the additional income tax does not exceed a specified threshold.

Interim payments are not required in respect of the taxpayer’s first year of residence in the UK. Interest is chargeable on tax paid late, and additional tax-geared surcharges of 5% of the tax unpaid are chargeable if settlement of the full liability for a year of assessment has not taken place by 28 February following the year of assessment. A further 5% surcharge is levied if the tax remains unpaid by 31 July.

Assessments

If a taxpayer has not submitted his tax return by the filing date, HMRC may make a determination of the amount of tax payable for the tax year. This is payable without appeal, but is superseded when the self-assessment return is filed.

Appendix 6

Formalities

Engagement Letter

Before MacIntyre Hudson is able to proceed to act on your behalf, the Institute of Chartered Accountants in England and Wales require the terms of our appointment to be agreed in advance in writing. Two copies of our letters of engagement and terms of business will therefore be sent out to you within the next week or so. Please read through the letter and, if you are satisfied that everything is in order, sign and return one copy to us. The other copy is for your retention and future reference.

Professional Clearance

If you have previously appointed a firm of Accountants or Tax Advisors in the UK, we should be grateful if you would let us have the name of your accountant / advisor and the firm's full address as we will first need to write to them to obtain professional clearance. You will also need to inform them in writing of your decision to appoint MacIntyre Hudson to act on your behalf.

Form 64-8

HMRC will also require your confirmation that you would like MacIntyre Hudson to act as your tax agents and advisors. This is confirmed on their standard form, known as Form 64-8. This form will be sent to you with the letter of engagement.

Money Laundering

To enable MacIntyre Hudson to comply with its money laundering obligations, we require evidence of your identity and address. Such evidence is normally satisfied by the production of a passport and a current bank statement or utility bill. We shall therefore require from you original copies of these or similar documents.

Appendix 7

Information requirements

UK Reporting

To ensure that we have an accurate picture of your tax and financial position, we may send to you and would be grateful if you could complete a five-page form headed 'Personal Details' and return it to us.

We will assist you in the completion of Form P86 notifying HMRC that you have arrived in the UK to take up residence and when appropriate, the form P85 relating to your departure.

As you are likely to be not domiciled in the UK, we will need to complete the necessary paperwork (i.e. domicile questionnaire known as 'Form DOM1') in due course to formally confirm your domicile status. This Form DOM1 will be submitted with your first UK Self-Assessment Tax Return.

Home Country Reporting

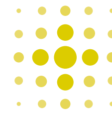
An individual resident in the UK may also have tax obligations in their home country including the filing of home country tax returns. The preparation of these returns is the responsibility of the individual and if appropriate, MacIntyre Hudson will either provide you with any necessary information or liaise with your home country tax return preparer to ensure that the home country tax returns are prepared correctly.

Appendix 8

UK Self Assessment Compliance Timetable

(from 5 April to 31 January 2011)

5 April 2009	End of 2008/09 tax year
6 April 2009	Start of 2009/10 tax year
31 July 2009	2nd interim payment of income tax for 2008/09 due
5 October 2009	Notification to HMRC of new sources of income or of obligation to file Tax Returns for 2008/09 tax year
31 October 2009	Filing deadline of 2008/09 Self Assessment Tax Return - if HMRC to compute tax liability and for small underpayments of income tax (of up to £2,000) to be collected via the PAYE system
31 January 2010	Final 2008/09 Tax Return submission deadline - otherwise automatic late filing penalty of £100 (followed by another £100 if not submitted by 31 July 2010) and £60 per day if Commissioners agree.
	Balance of tax liability for 2008/09 tax year due (£100 late filing penalty above restricted to this figure if lower).
	1st interim payment of income tax for 2009/10 tax year.
	Last day for HMRC to enquire into a 2007/08 self-assessment tax return
28 February 2010	5% surcharge on 2008/09 tax liability if not paid by this date
5 April 2010	End of 2009/10 tax year
6 April 2010	Start of 2010/11 tax year
31 July 2010	5% surcharge on 2008/09 tax liability if not paid by this date
	2nd interim payment of income tax for 2009/10 due
5 October 2010	Notification to HMRC of new sources of income or of obligation to file tax returns for 2009/10 tax year
31 October 2010	Filing deadline of 2009/10 self assessment tax Return - if HMRC to compute tax liability and for small underpayments of income tax (of up to £2,000) to be collected via the PAYE system
31 January 2011	Final 2009/10 tax return submission deadline - otherwise automatic late filing penalty of £100 (followed by another £100 if not submitted by 31 July 2011) and £60 per day if Commissioners agree.
	Balance of tax liability for 2009/10 tax year due (£100 late filing penalty above restricted to this figure if lower).
	1st interim payment of income tax for 2010/11 tax year.



MacIntyre Hudson

THE FUTURE IS WHAT YOU MAKE IT ®

To find out more about the people behind the name visit www.macintyrehudson.co.uk or email us at international@mhllp.co.uk

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