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The Fry Group

Refreshingly individual financial planning from The Fry Group

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Moving to the UK

Many British expatriates gravitate back to the UK, for various reasons. Moving back can be daunting, and it is important to plan ahead to protect any wealth which has been created during time overseas.

Our advice to clients is clear – you may only move back to the UK once but we have done it hundreds of times, so bear in mind the important factors, which include:

Plan early

We advise clients to start planning in the UK tax year before the move. There are often significant tax savings you can make but which rely on steps being taken before the end of the preceding tax year.

Consider your future

If possible, consider how long you will be living in the UK (short term, long term, forever) and how you expect to fund your lifestyle. The cost of living may be vastly different from where you are now. Don't forget that any income you need to generate must be after tax – careful planning is needed, and with that care and attention surprisingly low rates of tax on income and gains can often be achieved.

Use your status

Certain UK taxes can be avoided if you or your partner are not of British descent or either of you have become 'non-domiciled' for UK tax purposes. This route potentially allows you to shelter non-UK income and gains from tax, as well as keeping those assets outside of Inheritance Tax. However, this does come with certain costs and it is important to get the planning right.

Review your offshore accounts

It may be wise to close non-UK deposit and savings accounts so that the interest is paid before you return (upon which it would become taxable in the UK).

Sell assets

It is generally sensible to sell assets which have risen in value significantly with a view to crystallising gains whilst you are still outside of the UK tax net. Care is needed though as every case is different.

Use tax breaks

This step can produce healthy savings. ISAs, Income Tax allowances and Capital Gains Tax (CGT) allowances can all be used to reduce your annual tax bill. In addition, certain types of life assurance bonds or non-UK pension schemes can deliver a tax-favoured stream of income in retirement.

Create a short term trust for property

If you have UK property then you may face a sizeable CGT bill if you decide to sell your house after your return. If you are not planning on living in your house when you return, then it may be prudent to sell it whilst you are still non-resident, thereby avoiding CGT. If you do plan to move back into the house, and live in it for some time then again CGT may be mitigated somewhat. Alternatively, you could transfer the property into a specially created short term trust. This is done in the tax year prior to your move, and works by gifting the property into a trust, enabling any gain to be realised. You are not taxed on that gain, and the trust acquires the property at its then market value. After 12 months or so the trust is wound up and the property is returned to you. If you subsequently sell it, its cost for tax purposes is the value at which you received it from the trust. This is a particularly attractive option for those who want to live in a property which has accumulated gains or who want to keep hold of a particularly good investment which rents well.

Talk to the taxman

Inform HM Revenue & Customs of your arrival on a timely basis and make sure that you understand your obligations and tax filing deadlines. It can also be necessary to make certain elections and claims within certain time limits, so care is required.

Seek professional advice

The Fry Group offers a 'Moving to the UK service'. This gives you all of the written advice we think you need, helping you with practical tax planning actions. Separately we can also complete all paperwork and elections, work with HM Revenue & Customs to get you back into the tax system and prepare the UK Tax Return for the year of your return.

For more information please contact Aidan Bailey on 01903 231545 or *aidan.bailey@thefrygroup.co.uk*

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