THE FRY GROUP
ESTD 1898

Your guide to leaving the UK

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What you'll learn in this guide

Choosing to leave the UK is a big step, and there will be a number of considerations to research and decisions to make before you head to your new home.

As well as understanding what needs to be handled from a logistical perspective, there will be a new country to get to know and customs to learn. And once the practicalities are in order, you'll need to think about what changes you should make to your financial arrangements in order to make the most of your time as an expat.

This guide is here to help.

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Before leaving the UK

Regulations and laws vary widely between countries, so it's important to do your research to understand the differences between your current country and the one you're moving to.

A useful step is to contact the appropriate embassy or consulate who can share relocation information. Some of the areas you might need to consider include:

Shipping your possessions and pets

Choosing to take possessions or pets with you to your new home does need some logistical thought. International cargo movers are highly skilled at what's possible in terms of furniture and personal effects and will be able to guide you through the inevitable paperwork needed. Don't forget to factor the cost of global shipping into your financial plans.

Visa requirements

Most countries will need a visa or work permit to be issued, ahead of your move. Do check if your new company will cover the visas you and any of your family needs. If not, you'll need to speak to the relevant embassy to understand the process of applying for the visas required.

Living costs

Take some time to research the living costs in the country you are moving to. Think about travel costs to and from work, rent, food and utility bills and compare them with your current cost of living. This will prepare you for what to expect, and you may be able to factor your findings into any salary negotiation.

CONTACT US

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Before leaving the UK *(Cont)*

Education

If you have children of school age it will be vital to consider what options are available. Good schools can be over-subscribed, and it will be important to thoroughly investigate and, if possible, visit your options to determine the best place to educate your child or children.

Wills

It is important when moving away from the UK to update your current Will to ensure it continues to reflect your wishes. As an expat, your financial circumstances are likely to be cross-border and therefore you may require Wills in other jurisdictions outside of the UK. For example, if you were to purchase a property in the Middle East, this asset may not be covered under your UK Will and you would likely require a local Will. This is a complex area and therefore you will need to ensure you gain specific advice around your personal circumstances from an expert.

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Before leaving the UK *(Cont)*

Guardianship

When putting in place guardianship for your children, it is important to state this in your UK Will as well as any other Will you might create in your new country of residence if your children have moved abroad with you. If the legally appointed guardian doesn't live in your new country of residence, it may be worth stating a temporary guardian in the event of your death, so that they can look after the children until your legally appointed guardian can arrive to make arrangements for them.

Pension contributions

In most cases, pension contributions are related to your UK earnings and therefore most expats will be unable to continue contributing to their UK pensions while living abroad. Therefore, it's unlikely that you will be building pension assets as you would have in the UK. Some companies may offer some sort of alternative savings scheme, but this is usually a benefit rather than a legal requirement such as workplace pensions in the UK, and you won't benefit from tax relief on contributions (which is a major benefit to UK pensions). As such, you need to be more proactive about building retirement savings yourself to plan for future years.

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Key tax considerations

There are a number of tax considerations to be aware of when moving abroad. Understanding the rules in the UK, and the country in which you're going to be living or working in is very important. Here are some key things to consider.

Will you become non-UK tax resident?

The amount of UK tax you pay is determined by your residence status. If you are UK tax resident you are, potentially, taxed in the UK on all your income and gains arising anywhere in the world (including overseas employment income). If you are not UK tax resident your liability to Income Tax could be limited to UK sources of income only and your liability to UK Capital Gains Tax could be limited to the disposal of UK land and property with all other income and gains being exempt from UK tax provided various conditions are met.

Understanding when you will become non-UK tax resident under the complex "split year treatment" rules and how a non-UK tax residence status can be maintained is a key part of your plan to live abroad. If you live overseas, and also spend time in the UK, understanding the Statutory Residence Test (SRT) is essential.

It's important to seek advice from a professional to give you peace of mind in this complex area of tax planning.

For a detailed explanation of the SRT, download our guide to the Statutory Residence Test.

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Key tax considerations *(Cont)*

Reporting to the tax authorities

You should notify HMRC, the UK tax authority, if you're moving overseas. A P85 form notifies HMRC that you are leaving the country and helps ensure that you'll be taxed appropriately in the UK.

TAX TIP
If you're not a UK tax resident but occasionally work in the UK, you may be charged UK tax on your UK work days. Careful tax planning may be needed, and there are special tax rules for certain types of employment income including work in the oil and gas sector.

Tax treaties

The UK has various tax agreements to help avoid you being 'double taxed' on the same income and gains. Currently, more than 130 of these double-tax treaties are in place so there's a significant network. Your tax adviser will be able to help you claim relief from being taxed twice on the same income and gains.

Capital Gains Tax

Capitals Gains Tax (CGT) is charged if you sell or gift an asset. If you're concerned about CGT, it's important to understand what your potential burden might look like, especially because, unlike before 2015, UK non-residents now pay CGT on any profits from UK land and property.

Inheritance Tax

Inheritance Tax (IHT) is determined by your legal country of domicile and the rate of IHT is generally 40%. Domicile is a complicated term but generally refers to your permanent home country. So even if you are a British expat working in Hong Kong, your domicile is likely to remain the UK. And if you're UK domiciled, IHT will be charged on your worldwide assets, so you might need to plan carefully.

Click here to take a look at our webinar series where you can gain an understanding of your financial obligations as an expat.

To find out more about Inheritance Tax, download our guide to Inheritance Tax.

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Client experiences

Martin and Cara Booth are lawyers, with a property in London, where they live, and another in Cornwall, which they rent out and use as a holiday home. With a promotion to Dubai offered to Cara, the Booths made the decision to move overseas with their two teenage children.

They were keen to keep hold of both UK properties and make the most of their expat status. The move offered increased salaries and strong career paths, which the Booths were keen to take advantage of, particularly given their children's plans to attend university which would involve two sets of tuition fees.

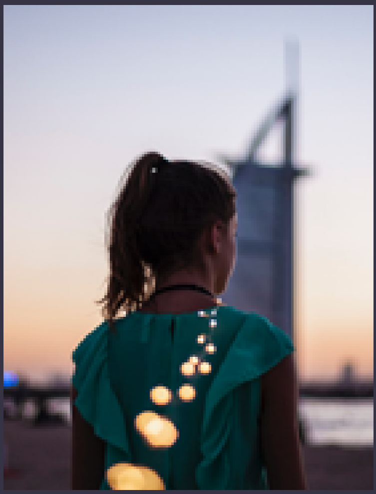
Their main priorities were to secure a new job for Martin and arrange schooling for their children. Cara was offered a solid relocation package by her employer with visas for her and the children, as well as a family medical insurance policy.

Martin opted to travel to Dubai ahead of the rest of the family, using a tourist visa, for a two-week stay. He arranged interviews with three law firms, and hoped to secure a position quickly, at which point his new employers would arrange a work visa on his behalf.

Whilst in Dubai Martin also viewed potential properties for the family to rent, which would be convenient for work and school commutes, and made arrangements with their preferred school.

With a job offer made to Martin during his trip, the family were able to move together to Dubai. As part of the move the Booths reviewed their financial position to maximise their offshore investments in preparation for future school fees and retirement. This involved a re-structure of various pension pots.

The Booths are now enjoying their time abroad as a family with the aim of returning to the UK and retiring to their property in Cornwall in five to ten years. At this point they plan to sell their London property after using the rental income it's currently creating to boost their investments.



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Owning or renting your UK property

Many British expats choose to keep a foothold in the UK by holding on to the family home, renting it out or buying an investment property whilst living overseas. Some of the key considerations are:

Stamp Duty

Stamp Duty Land Tax (SDLT) is paid when purchasing property in England and Northern Ireland, and there are equivalent taxes in Scotland and Wales. Stamp Duty surcharges can apply when purchasing an additional property and for purchasing a UK property as a non-UK tax resident. Generally, higher rates don't apply if:

- At the end of the day of purchase you only own one residential property between you anywhere in the world.
- You are buying a new main residence to replace your existing main residence.
- You purchase a new main residence but don't dispose of your existing main home straightaway. You must dispose of it within three years of the purchase of your new home; then the Stamp Duty surcharge paid can, generally, be reclaimed.

It's worth noting that any property you own in the world will be taken into consideration when establishing whether a property you've purchased in the UK is an additional property.

Married couples and civil partners who purchase property are considered as a single 'unit' when calculating higher rates. Generally, a married couple will have a single shared main residence but if one of the couple purchases or owns another residential property the higher rates may apply.

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Owning or renting your UK property *(Cont)*

Owning an investment property

If you've bought a UK property as an investment (and plan to let it) any income remains taxable in the UK even when you are UK non-resident. However, if your intention is to purchase a property, renovate it and then sell it shortly afterwards, the tax implications are very different. Any profit made on selling is likely to be charged to Income Tax as trading income rather than attracting CGT.

The Non-Resident Landlord Scheme

Special rules apply if you're a non-UK resident landlord or live abroad usually for more than six months, and receive rental income. The Non-Resident Landlord Scheme (NRL) outlines the rules. If you live overseas and let a property using an agent they must follow the scheme and deduct basic rate tax from your rental income before they pass it on to you, unless they've permission from HMRC not to. You can offset this against your own tax bill at the end of the year by submitting a Self-Assessment Tax Return.

We can help you navigate this tricky topic. To find out more about letting a UK property, listen to our recent webinar here for some useful insights.

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Owning or renting your UK property *(Cont)*

You can apply to HMRC to receive any rental income gross with no tax deducted. If this is the case any tax due will be paid through the Self-Assessment Tax Return process.

Selling UK property whilst living overseas

If you're selling a UK property, you may face CGT. The charge is based on the gain arising from 5 April 2015, for long-term non-residents. The tax is calculated in one of three ways:

1. Using the market value of the property on 6 April 2015
2. A simple time apportionment
3. A deduction of the cost of the property from the sale proceeds

You must submit a CGT return to HMRC and pay any tax due within 30 days of the sale of the property.

Our team of tax experts can help you understand this complex area UK tax Click here to get in touch.

Don't forget to use your annual exemption.

Your annual CGT exemption allowance can't be carried forward so you should try and use it up if you can each year.

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Other financial considerations before you go

Don’t forget to consider the following:

Individual Savings Account (ISAs)

ISAs offer a tax-free way to save and can be a valuable addition to your investment portfolio. If you have an ISA it may make sense to top it up before you leave the UK. Making use of your annual allowance is sensible before moving abroad as you cannot continue to do so as a UK non-resident. You can then continue to manage the investments within the ISA whilst living abroad.

National Insurance contributions

National Insurance will entitle you to the UK State Pension in later life. You can make voluntary contributions after you have left the UK, and it’s worth bearing in mind that you need a record of 35 years of contributions to achieve the highest rate of State Pension.

Personal allowances

The UK tax system includes a variety of personal allowances, which generally aren’t lost when you leave the UK, providing you have a British Passport. Keeping up to date with these allowances can be useful, particularly in the year or two ahead of any return to the UK. Having thought about what to consider before you move, it’s also important to think about what you need to do when you’re ready to leave the UK.

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What to do when you move?

Banking and financial planning

One of the first things to arrange is a bank account to help you with day-to-day payments, and ongoing financial requirements. You may need to set this up ahead of time, to pay for things such as a deposit on a rental property, or a car lease.

It's useful to leave your bank accounts in the UK open. These can then take care of any future UK transactions and can be helpful if and when you return to the UK.

Renting or purchasing a property

Choosing where to live is an important decision. You may want to consider a short-term rent so that you can find your feet, and then decide where the best location is for you, your family and your lifestyle. Other expats, or colleagues, might be able to offer some good advice about where to consider, and recommendations of which agents to work with whether you are renting or buying.

Medical insurance

Researching medical insurance and health care options is a useful step so that you understand what cover you're entitled to as a resident. Healthcare can vary enormously between countries, so thoroughly check what to expect. In some countries, companies offer medical cover for employees and direct family members but if not you'll need to make alternative arrangements to ensure you and your family have appropriate health cover.

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What to do when you move? *(Cont)*

FX considerations

As an expat, it is best to invest in the currency you plan to use in the future. For example, if you move to Singapore for a period of time for work, but intend to return to the UK, it would be beneficial to invest in Sterling to minimise any exchange rate risk when moving money back at the end of your time abroad. There are a number of FX companies that are highly competitive and provide great options for expats, but it's important to do your research when selecting a company to help you. Be mindful not to accept poor exchange rates often applied by a lot of banks.

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Home insurance

Take some time to review what insurance cover you'll need in your new country of residence. If you're renting it may be less complicated, but make sure you are protected adequately.

Travel and life insurance

Don't forget to reassess your travel and life insurances, especially given your changed circumstances. It can also be useful to look into an annual travel policy if you'll frequently be returning to the UK for work or personal visits.

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What next?

Becoming an expat offers a chance to explore a new country, culture and working environment.

Planning ahead and taking control of your financial position, will leave you free to enjoy your new lifestyle and the experiences it offers. It can also mean that you are in a good position if and when you decide to return to the UK.

Getting the right financial planning in place will make your move overseas a much smoother process. We've been working with British expats for over 120 years and with teams across the UK and overseas we can help support you before, during and after your move.

To discuss your plans, please contact your nearest office or email info@thefrygroup.co.uk.

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