

Personal Tax

Basic Principals

The Tax Year

The UK tax year runs from 6 April to the following 5 April. For example the 2010/2011 tax year refers to the period 6 April 2010 to 5 April 2011.

Types of Tax

The UK tax on individuals is made up of:

- Income Tax;
- National Insurance contributions; and
- Capital Gains Tax.

Income and benefits

Taxable income includes all income and benefits received from employment in the UK and all investment income. Income is taxed in bands with the basic rate being 20% and higher rate being 40%. Income is taxed in bands with the basic rate being 20%, higher rate being 40% and additional rate being 50% (on income above £150,000).

Where an overseas national is seconded to the UK to work for the UK entity for a period of less than two years, he can be provided with accommodation, travel and other similar benefits tax free (Referred to as "detached duty relief").

National Insurance Contributions.

National insurance contributions are paid by employers (12.8% over base threshold) and employees (11% over base threshold up to a cap of £40,040 and 1% thereafter) on an individual's employment income.

Self employed individuals account directly to the tax authorities (HMRC) for their national insurance contributions.

Capital Gains tax

If an individual is resident in the UK and makes a disposal of assets the profits on these are liable to Capital Gains Tax at 18% (subject to various exemptions and deductions).

How Tax is collected

There are two methods of collection:

- Self-assessment, whereby an individual is responsible for providing HMRC with a Tax Return and consequent payment of tax; or
- Pay As You Earn (PAYE) where your income tax and national insurance are deducted from your remuneration and paid over to HMRC by the employer.

Liability for tax in the UK

Residence

In general, if an individual is resident in the UK in any tax year, that person will be subject to UK tax laws.

An individual is UK resident if:-

- Present in the UK for 183 days or more (including days of arrival and departure, and made up of any number of visits); or
- Visits the UK regularly and on average spends more than 90 days a year over a four year period.

Ordinarily resident

The term ordinarily resident implies a greater degree of permanence than being resident. If you are not ordinarily resident you will be only be taxed on employment income from your UK duties. You will be exempt from UK tax on your overseas duties provided your remuneration for these is not remitted to the UK.

An individual would normally become 'ordinarily resident' if:-

- from the outset they intend to stay in the UK for three years or more;
 - if later, the point at which they decide to stay for more than 3 years;
- or
- following the third anniversary of their arrival in the UK.

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Correct at time of publication,
May 2010

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Domicile

If you are UK resident and domiciled you will be taxed on your worldwide income. However, if you are non-domiciled you can elect to be taxed on a remittance basis. The remittance basis is subject to a £30,000 annual charge for those non-domiciliaries who have been resident in the UK for seven out of the last nine tax years.

A domicile is usually the country where you have your permanent home. This may be your domicile of origin or alternatively it will be the country which you now regard as your permanent home and where it is likely you will spend your retirement.

Double Tax Treaties

Most countries have a double tax treaty with the UK. This generally means that if income falls liable to tax in both countries, the higher of the two tax rates will be suffered with a credit having been given for the lower rate.

Disclaimer:

This note does not contain a full statement of the law and it does not constitute legal advice. Please seek legal advice if you have any questions about the information set out above