

THE UK TAX YEAR AND SELF ASSESSMENT

FICHE PRATIQUE

Sarah Robert, tax adviser and director at James Cowper Kreston, head of International services.



Sarah heads up James Cowper Kreston's expatriate tax services. She assists corporate clients moving employees overseas and into the UK as well as companies and entrepreneurs setting up in the UK for the first time. She is experienced in a wide range of taxation issues including; employment taxes, international payroll, international social security planning, double tax treaty advice and HMRC enquiries. She has a particular expertise in advising French companies and individuals and having worked in France herself, Sarah has a good understanding of international business challenges.

THE UK TAX YEAR AND SELF ASSESSMENT

The UK tax year runs from 6 April to the following 5 April. Individuals who are employees have their tax deducted at source through Pay As You Earn (PAYE). Those who are self employed need to file an annual tax return with HM Revenue & Customs (HMRC) in order to pay the correct amount of tax.

The tax return filing deadline is 31 October following the end of the tax year if submitting by post, or 31 January the following year if submitting electronically. If you have not previously filed a tax return in the UK then you must notify HMRC of your intention to file a tax return by 5 October following the end of the tax year. Should you fail to file a tax return by the 31 January then a late filing penalty of £100 will be applied, and penalties can increase the longer the return is late.

Filing a tax return under Self Assessment means "Self Assessing" taxable income and gains, and there will be a requirement to submit a tax return until deregistering from the Self Assessment system.

DOMICILE

If an individual is UK tax resident but not UK domiciled then it is possible to elect for the “remittance” basis of taxation. “Domicile” is determined from case law and in simple terms is defined as where an individual considers his permanent home, the country in which his father is also considered to have his permanent home. UK domiciled individuals are taxed on the “arising” basis of taxation which means UK income tax on worldwide income and gains. Non-domiciled individuals have the option of electing to be taxed on the “remittance” basis of taxation whereby you may only be taxed on UK source income and gains and not on offshore income and gains unless remitted to the UK from overseas.

The remittance basis option can bring associated costs and charges such as the loss of personal (or “tax-free”) allowance and annual exemption for capital gains tax. After 7 years, the annual charge known as the remittance basis charge starts at £30,000 and this increases to £60,000 and even £90,000 depending upon years of residence in the UK. It should be noted that these charges are due **in addition** to any tax which might be due in the UK.

If **unremitted** foreign income and/or capital gains of UK resident non-domiciled individuals are less than £2,000 at the end of the tax year, the remittance basis automatically applies without the need to make a claim. This means there is no tax cost to the individual. UK tax will be due only on any amounts of foreign income and/or gains remitted to the UK.

Under new proposals, once an individual has been resident in the UK for 15 years of the last 20 years, they will be deemed to be UK domicile so arising basis of taxation will apply. This takes effect from 6 April 2017.

OVERSEAS WORKDAYS RELIEF

Overseas Workdays Relief is available for a non-UK domiciled employee in the UK who spends a proportion of their time working overseas. Overseas Workdays Relief is available for the first 3 tax years in the UK following arrival. It is important that a detailed travel calendar is kept highlighting workdays in and outside the UK, as well as non-workdays spent abroad. It will be possible to reduce the taxable UK income by the percentage of overseas workdays in the year.

Various conditions need to be met for the relief to apply, advice should be taken in order to set this up correctly.

HOW TO CORRECTLY FILE A TAX RETURN?

It is important that you capture all of your income and gains on the return. Individuals must usually include their UK source income on the tax return, with items such as employment income, rental income, bank interest, and dividends.

Foreign income might also need to be reported on the ‘Foreign’ pages of the return (subject to the remittance basis). Examples are overseas rental income, bank interest, overseas or dividends. It is also on these pages where you can make a claim for overseas tax credits so that your income is not taxed twice by the UK and the overseas country.

It is compulsory for some individuals to file a tax return, including:

- Self employed individuals
- Directors of a UK company
- Individuals electing for the remittance basis of taxation (unless unremitted income is less than £2,000)
- Individuals whose annual income exceeds £100,000
- Individuals who have rental property where the untaxed income exceeds £2,500
- Individuals who have foreign income where UK tax is due
- Partners in a partnership
- A minister of any religion

How can James Cowper Kreston help you?

James Cowper Kreston's International Tax team is committed to providing excellent service to clients from overseas.

We have significant experience in helping French nationals and individuals from overseas with their UK tax affairs, as well as helping to set up businesses in the UK. We are also able to provide assistance in French, which can be beneficial to clients due to the complex nature of the UK tax system. If you are thinking of moving to the UK, setting up your company or need to file a tax return then we would only be too happy to run through your options with you. For all queries please contact Sarah Robert on 01189 551 033, or via email on SRobert@jamescowper.co.uk.