

EXPATRIATES

United Kingdom

Tax Facts for International Assignees



INCOME TAX: WHO IS LIABLE

UK residents are subject to tax in respect of their worldwide income and gains (though with potential reliefs for those individuals who are regarded as non-UK domiciled). Non-residents are subject to tax on income arising in the UK. Capital gains tax does not generally apply to non-resident individuals; however an exception to this is individuals who are deemed to be “temporary non-residents” for the purposes of capital gains tax. Temporary non-residents will be taxed on gains realised during the period of non-residence in the year of repatriation. There are also specific rules on non-resident individuals disposing of UK residential property which may leave them liable to UK capital gains tax on a disposal regardless of their tax residence position.

A UK resident, but non-domiciled, individual can, each year, elect to be taxed under either the remittance basis (i.e. taxed on the overseas income and gains only to the extent this is brought into the UK) or the arising basis (i.e. taxed on all income and gains in the year in which it arises). Electing to be taxed under the remittance basis will result in an additional tax, known as the remittance basis charge (RBC), where the individual has been resident in the UK for at least 7 out of the 9 preceding tax years, with the charge increasing if they have been resident in the UK for 12 of the preceding 14 tax years. Making this election will also result in the loss of the Personal Allowance (for income tax) and the Annual Exemption (for capital gains tax).

Various tax reliefs may be claimed by employees remaining resident in the UK whilst working overseas, for example relief on travel and subsistence expenses, which includes accommodation.

BREAKING RESIDENCY - EXIT PROCEDURES

Residence is established separately for each UK tax year (to 5 April). Where an individual leaves or returns to the UK during the tax year it may be possible to split the tax year so that they are taxed as a resident for part of the tax year and as a non-resident for the rest of it. The UK uses a series of tests to determine an individual’s residence position which examine the time spent in the UK, the availability of a home in the UK, whether any work is performed in the UK and the ties an individual may have with the UK. An overview of the rules likely to apply to an individual leaving the UK can be found below.

The first step is to consider the number of days spent in the UK. An individual will ‘automatically’ be resident in the UK if they are present in the UK for 183 or more days in the tax year. Please note that, generally speaking, a day is counted as a UK day if the individual is present in the UK at midnight.

An individual will be ‘automatically’ non-resident where they have been resident in the UK in any one of the three previous tax years and spend less than 16 days in the UK. This limit is increased to 45 days or less where the individual has not been resident in the UK in any one of the three previous tax years.

If these day limits are exceeded, it is still possible for an individual to be regarded as non-resident under the full-time working abroad test. Under this test an individual will become non-UK resident where they meet the following conditions:

- They work full time outside the UK with no significant breaks of 31 days or more during the tax year, and
- Are present in the UK for less than 91 days, and

(continues)

- spend less than 31 workdays in the UK (a workday is any day where more than 3 hours is worked).

If the full-time working abroad test is not met, then it is likely that the individual will remain resident in the UK unless they have limited ties with the UK and are also able to limit the number of days spent in the UK.

These Statutory Residence Test (SRT) rules are complex and specific advice should be sought to determine an individual's residence position.

When leaving the UK, an individual should complete a Form P85 and submit this to HM Revenue & Customs to notify them of departure. A 'No Tax' PAYE code should be requested from HMRC for an employee assigned overseas by their UK employer where the employee will become non-UK resident.

INCOME TAX RATES

England, Wales & Northern Ireland - Bands	2021/22	Dividends ²	Other income	2022/23	Dividends ²	Other income
Starting rate for savings ¹	£0-£5,000	0%	0%	£0-£5,000	0%	0%
Basic	£0-37,700	7.50%	20%	£0-37,700	7.50%	20%
Higher	£37,701-£150,000	32.50%	40%	£37,701-£150,000	32.50%	40%
Additional	Over £150,000	38.10%	45%	Over £150,000	38.10%	45%
Scottish bands ⁴	2021/22	Dividends ²	Other income	2022/23	Dividends ²	Other income
Starting Rate	£1-£2,097	N/A ³	19%	£1-£2,162	N/A ³	19%
Basic	£2,098-£12,726	N/A ³	20%	£2,163-£13,118	N/A ³	20%
Intermediate	£12,727-£31,092	N/A ³	21%	£13,119-£31,092	N/A ³	21%
Higher	£31,093-£150,000	N/A ³	41%	£31,093-£150,000	N/A ³	41%
Additional	Over £150,000	N/A ³	46%	Over £150,000	N/A ³	46%

Notes:

1. The 0% starting rate is for savings income only. If non-savings income is above this limit then the 0% starting rate for savings will not apply.
2. Dividends falling in this band. Dividends treated as top slice of income.
3. Applies to most income of Scottish residents. However, the UK thresholds and rates still apply to their 'savings' and dividend income and capital gains.

Income Tax Allowances	2021/22	2022/23
Personal allowance ¹	£12,570	£12,570
Income limit for personal allowance ²	£100,000	£100,000

Notes:

1. The Personal Allowance shown applies to individuals born after 5 April 1938. Individuals born prior to this date are eligible for a higher allowance; however this higher allowance is subject to income limits.
2. The Personal Allowance is reduced by £1 for every £2 of income above £100,000. This reduction applies irrespective of date of birth.
3. UK nationals and EEA citizens are entitled to the Personal Allowance during a year of non-residence. Other non-residents may also receive a Personal Allowance if allowed under a relevant double tax treaty.

SOCIAL TAX RATES

Class I - 2021/22

Weekly	Monthly	Annual	Employee ²	Weekly	Employer ³
£0 - £120 (LEL)	£0 - £520	£0 - £6,240	Nil		Nil
£120 - £184 (PT)	£520 - £797	£6,240 - £9,568	Nil ²	£0 - £184 (ST)	Nil
£184 - £967 (UEL)	£797 - £4,189	£9,568 - £50,270	12%	£0 - £967 (UST, AUST) ³	Nil ³
Over £967	Over £4,189	Over £50,270	2%	Over £184 (ST) / £967 (UST, AUST) ³	13.80%

Class I - 2022/23

Weekly	Monthly	Annual	Employee ²	Weekly	Employer ³
6 April 2022 to 5 July 2022:					
£0 - £123 (LEL)	£0 - £533	£0 - £6,396	Nil		Nil
£123 - £190 (PT)	£533 - £823	£6,396 - £9,880	Nil ²	£0 - £190 (ST)	Nil
£190 - £967 (UEL)	£823 - £4,189	£9,880 - £50,270	13.25%	£0 - £967 (UST, AUST) ³	Nil ³
Over £967	Over £4,189	Over £50,270	3.25%	Over £190 (ST) / £967 (UST, AUST) ³	13.80%
6 July 2022 to 5 April 2023					
£0 - £123 (LEL)	£0 - £533	£0 - £6,396	Nil		Nil
£123 - £242 (PT)	£533 - £1,048	£6,396 - £12,570	Nil ²	£0 - £242 (ST)	Nil
£242 - £967 (UEL)	£1,048 - £4,189	£12,570-£50,270	13.25%	£0 - £967 (UST, AUST) ³	Nil ³
Over £967	Over £4,189	Over £50,270	3.25%	Over £242 (ST) / £967 (UST, AUST) ³	15.05%

Notes:

1. The limits are defined as LEL - lower earnings limit; PT - primary threshold; ST - secondary threshold; UST - upper secondary threshold; AUST - apprentice upper secondary threshold and UEL - upper earnings limit.
2. No NIC is actually payable but notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement.
3. UST applies only for employees aged under 21; AUST applies only for employees aged under 25 who are apprentices.

Classes 1A + 1B	2021/22		2022/23	
(A) Car, car fuel and other benefits	13.8%		15.05%	
(B) PAYE settlement agreement	13.8%		15.05%	
Other classes				
Class 2 self-employed annual profits	Over £6,515	£3.05pw	Over £6,725	£3.15pw
Class 3 voluntary	£15.40 pw		£15.85 pw	
Class 4 self-employed annual profits	£9,568 - £50,270	9%	£11,908 and £50,270	10.25%
	Over £50,270	2%	Over £50,270	3.25%

Notes:

- Employees assigned overseas to an EEA country (and Switzerland) or a reciprocal agreement country (e.g. USA, Canada) may in certain circumstances remain within the NIC system.
- Employees assigned overseas to a non- agreement country (e.g. Brazil, Hong Kong) will continue to be liable to NIC for the first 52 weeks of their secondment.

For further information and to register for future updates contact expat@bdo.global

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