



Guidance Note: Residence, Domicile and the Remittance Basis

Published October 2013

Table of Contents

Introduction7
Introduction.....7
How to navigate between links in this document7

1. Impact of residence and domicile9
UK residence – tax liability9
UK domicile – tax liability9
Dual residence.....9
Members of the UK Parliament and House of Lords.....10
Resident abroad, but with income from a UK source.....10
Non-resident landlords.....10
Tax liability in the year you arrive in or depart from the UK10
Split year treatment.....11
Contacting HMRC when arriving in or leaving the UK11
What if I come back to the UK after a period abroad?11

2. Residence12
Statutory residence test (SRT).....12

3. Tax when coming to the UK13
Am I UK resident for tax purposes?13
What should I do if I work in the UK as an employee?.....13
What should I do if I come to the UK to work for myself?13
Self employment – business commencement and cessation provisions 14
Effect of split year treatment when you carry on a trade, profession or
vocation15
National Insurance Number16
What if I come to the UK but I am not working?.....16
What if I come to the UK to perform as an entertainer, sportsman or
sportswoman?16
What if I come to the UK as a student?16
Short-term repeated visits.....17

4. Tax when leaving the UK18
Contact HMRC when leaving the UK.....18
Changes to your employment or self-employment when overseas.....19
Self-employment – business commencement and cessation provisions 19
Effect of split year treatment when you carry on a trade, profession or
vocation20

**Special taxation rules for certain employees and offices working
abroad21**
Crown servants.....21
UK Merchant Navy seafarers.....21
Oil and gas workers21
Students21

Employees of the European Union	22
5. How does domicile affect your UK Income Tax and Capital Gains	
Tax liability?.....	23
What does domicile mean?	23
UK domiciliary territories	24
Types of domicile.....	24
Domicile of origin	24
Domicile of choice.....	25
Domicile of dependence	25
Women married before 1974	26
When might HMRC challenge your domicile status?	26
Working out your domicile	27
Flowchart 1: Where is my domicile?	29
Flowchart 2: You were born in the UK, your father was born in another country and you have no firm plans, or only short term plans to remain in the UK.....	30
Flowchart 3: You were born abroad and have no firm plans, or only short term plans, to remain in the UK.	31
Flowchart 4: You have plans to leave the UK	32
6. Types of income	34
Earned income.....	34
What is earned income?	34
General rules	34
Employment income – where your duties are carried out	35
UK tax on earned income – when you are UK resident	35
Pensions when you pay tax on the arising basis	35
Earnings from your employer when you use the remittance basis.....	36
Earnings from a trade, profession or vocation when you use the remittance basis.....	36
Pensions when you pay tax on the remittance basis	36
Lump sum pension payments	36
Earned Income – Seafarers’ Earnings Deduction (SED)	36
UK tax on earned income – when you are not UK resident.....	37
Earnings from your employer.....	37
Earnings you receive from a trade, profession or vocation	37
Pensions.....	37
Double Taxation Agreements (DTAs)	37
Offshore oil and gas workers	38
Workers on board aircraft, ships and other vessels – Where your duties are carried out.....	38
Merely incidental work	39
Leave pay	40

Contents

Lump sums received from overseas pension schemes and provident funds.....	40
Investment income.....	41
UK tax on investment income – when you are UK resident	42
Liability on the arising basis.....	42
Liability on the remittance basis.....	42
UK Tax on investment income – when you are not UK resident.....	42
Interest from building societies and banks.....	42
Income from property in the UK.....	43
UK government securities.....	43
Capital gains and Capital Gains Tax.....	43
UK tax on capital gains – when you are UK resident	44
UK tax on capital gains – when you are not UK resident.....	44
Double Taxation Agreements (DTAs)	44
Table showing the scope of liability of income to UK tax.....	45
Transitional provisions for ordinary residence	48
7. Special rules for certain occupations.....	49
Entertainers and sportspersons	49
Non-resident landlords.....	49
Receiving rental income with no tax deducted.....	49
Property owned in joint names.....	50
Members of HM Armed Forces and other Crown Servants	50
8. UK personal tax allowances	51
What are UK tax allowances?	51
How do UK tax allowances work?.....	51
How do you receive UK tax allowances?	51
Are you entitled to UK tax allowances when using the remittance basis?	51
What should you do if you have UK tax allowances and choose to use the remittance basis?.....	52
Allowances when coming to the UK.....	52
Allowances for non-UK residents.....	52
9. The remittance basis of taxation.....	54
What is the remittance basis?	54
Who can use the remittance basis?	54
How does the remittance basis work?	54
Exemption for small amounts of foreign income	55
Less than £2,000 unremitted foreign income and gains arising or accruing in the tax year	56
How do I calculate the value of my unremitted foreign income and gains?	56
£2,000 or more unremitted foreign income and gains arising or accruing in the tax year	57

Contents

How do I claim the remittance basis?	57
Overseas losses election	57
Further exceptions to making a Self Assessment tax return claim for the remittance basis.....	58
Remittance Basis Charge (RBC)	58
What counts as long-term residence?	59
How much is the RBC?.....	60
Nominating foreign income and gains.....	60
Paying the RBC	61
What is a remittance?	62
Mixed funds	63
Special mixed fund rules.....	63
Temporary non-residence and the remittance basis	63
Business investment relief	64
Sales of exempt assets.....	64
10. Double taxation	65
Non-UK residents	65
DTA reliefs on Income	66
UK Government pensions.....	66
Relief under a DTA when carrying on a trade or business.....	66
Earnings from employment and professional services.....	66
Teachers and researchers	67
Students and apprentices	68
Entertainers and sportspersons	68
Dividends.....	68
Capital gains.....	69
Pensions.....	69
UK residents	70
Relief from tax you pay overseas.....	70
Dual residence.....	70
Dual residence – consequences for tax liability	70
11. National Insurance Contributions when leaving or arriving in the UK	71
Introduction.....	71
Going to an EEA country or Switzerland.....	71
Arriving in the UK from an EEA country or Switzerland	73
Going to work in a country with which the UK has a Bilateral Social Security Agreement.	73
Arriving in the UK from a country with which the UK has a Bilateral Social Security Agreement.	75
Going to a country which is outside the EEA or Switzerland and not covered by a Bilateral Social Security Agreement.	75
Residence and ordinary residence for NICs purposes.....	76

Contents

Coming from country which is outside the EEA or Switzerland and not covered by a Bilateral Social Security Agreement.	76
12. Record keeping	77
Home	77
Holiday home becomes your home	78
Working hours and location of work done	78
The sufficient ties test	79
What records should I keep for domicile purposes?	80
What financial records should I keep?	80
What records should I keep if I work in the UK and overseas?.....	80
What records should I keep if I use the remittance basis.....	81
Contact us.....	83
Crown servants.....	83
Foreign entertainers and sportspersons	83
Leaving the UK	83
National Insurance enquiries for former UK residents	83
Non-UK employees coming to the UK	83
Non-resident landlords.....	83
Payment Helpline for non-UK residents.....	84
Seafarers' Helpline	84
Self Assessment tax returns	84
Self Assessment forms ordering	84
Tax enquiries for UK resident individuals, pensioners and employees ...	84
Tax enquiries for UK resident self-employed individuals	84
Tax enquiries for non-UK residents	84
Glossary	85

Introduction

Introduction

1. This guidance gives you information about:

- How your [residence](#) status and your [domicile](#) status affect the payment of tax in the UK on foreign income or foreign chargeable gains: and
- The remittance basis of taxation.

Introduction

2. This guidance gives you information about how your residence status and your domicile status affect the payment of tax in the UK on [foreign income or foreign chargeable gains](#) from the 6 April 2013 onwards. It refers to the new [statutory residence test](#) (SRT), which was introduced in Finance Bill 2013. This guidance also gives information on the remittance basis of taxation from 6 April 2013, but does not yet incorporate the Guidance on remittance basis changes from 2012, which are covered in:

- [Information note - changes to the Remittance basis](#)
- [Guidance notes - changes to the Remittance basis](#)

You should read this guidance in conjunction with the SRT legislation and the [SRT Guidance Note](#) (RDR3).

3. The previous guidance Residence, Domicile and the Remittance Basis ([HMRC6](#)) applies for all [tax years](#) ending on or before 5 April 2013.

4. This guidance offers general information on how the rules apply, but whether the guidance is appropriate in a particular case will depend on all the facts of that case. If you have any difficulty in applying the rules in your own case, you should consult HMRC. HMRC may wish to verify your residence or domicile status as part of a check into your tax return.

5. Please follow this link if you want information on [Inheritance Tax](#).

How to navigate between links in this document

6. This document contains links (shown in [blue and underlined](#)) to more detailed information within the document. If you follow a link you will need to retrace your steps to continue reading from where you left off. This will be easier to do if your toolbar is set up with the navigation arrows for Previous

View and Next View. 

7. You can do this when the document is open on your screen by clicking on the View button on the toolbar, then choose Toolbars from the drop down menu then tick Previous View and Next View. This will set up back arrow and forward arrow icons on the toolbar for Previous View and Next View respectively.

Introduction

8. The document contains links to guidance on the HMRC website, including links to our manuals. Manuals contain guidance prepared for HMRC staff and are published for taxpayers and their advisors in accordance with the Freedom of Information Act 2000. See our webpage [HM Revenue & Customs guidance manuals: introduction](#).

9. Where we have incorporated such a link to help you find out more about a particular topic, it will be set out in the form [RDRM12345](#), where the letters represent the title of the manual and the numbers refer to the section and page in the manual.

Impact of residence and domicile

1. Impact of residence and domicile

1.1 This section outlines the impact of your [residence](#) status and your [domicile](#) status on your Income Tax and Capital Gains Tax liabilities in the UK.

1.2 It is important to know whether or not you are UK resident. This may affect:

- your UK tax liability
- your entitlement to Income Tax allowances and exemptions.

UK residence – tax liability

1.3 When you are UK resident you are normally taxed on the [arising basis of taxation](#). This means that all your worldwide income and gains will be taxable in the UK. Therefore, even if your foreign income and gains have already been taxed in another country they will still be taxable in the UK and you must declare all of your foreign income and gains on your tax return.

1.4 In many cases, relief is given in the UK for foreign tax paid on foreign income and gains under the provisions of the relevant [Double Taxation Agreements](#) (DTAs) or via [unilateral relief](#). There is more information about DTAs in [section 10](#).

UK domicile – tax liability

1.5 If you are UK resident but not domiciled in the UK there are special rules which might apply to your foreign income and gains. In these circumstances you have a choice of whether to use the arising basis of taxation or the '[remittance basis](#)' of taxation. If you choose to use the remittance basis for a [tax year](#) you will pay UK tax on:

- any of your income and gains which arise/accrue in the UK; and
- any of your foreign income and gains that you, or another [relevant person](#), brings (or '[remits](#)') to the UK, even if that remittance occurs in a later tax year.

If you are a long-term UK resident and you choose to be taxed on the remittance basis, you may also be liable to pay the [Remittance Basis Charge](#).

[Section 5](#) of this guidance gives more information about domicile.

Dual residence

1.6 It is possible for you to be UK resident under UK tax rules and at the same time be resident in another country under that country's rules. This is sometimes referred to as 'dual residence'. If you are UK resident and resident in another country, and the UK has a [DTA](#) with the other country, there may

Impact of residence and domicile

be provisions that determine where you will pay tax. You will need to look at the guidance in [section 10](#).

Members of the UK Parliament and House of Lords

1.7 Members of the House of Commons ('MPs') and House of Lords ('Peers') are treated as resident and domiciled in the UK for Income Tax, Inheritance Tax and Capital Gains Tax purposes. This will apply to the whole of each [tax year](#) in which a person is a member of either House. It applies even if that person is a member for only part of the tax year and regardless of whether or not they are on a leave of absence.

1.8 It does not apply to either the Lords Spiritual or peers who are disqualified from sitting and voting as a result of becoming a Member of the European Parliament or a judge.

Resident abroad, but with income from a UK source

1.9 Although you may not be UK resident under the [SRT](#) you may earn income in the UK, for example from employment or self-employment where you carry out some work when you are physically in the UK; or you may come to the UK on a short secondment for your overseas employer. You will normally pay UK tax on any earnings for work that you do in the UK and on any other income you have which arises in the UK, for example bank interest, rental income from UK properties, or payments by the government to Crown servants working overseas. However, there may be a [DTA](#) in place which contains provisions about where you pay tax.

1.10 If you are not UK resident, your domicile does not impact upon your tax liabilities.

Non-resident landlords

1.11 If you will have rental income from property in the UK, this income will be liable to UK tax whether or not you are resident in the UK. There is a special scheme for payment of UK tax on your income from rental property. You should read the section on [non-resident landlords](#) in this guidance. You should note that it is your 'usual place of abode' and not non-residence under the [SRT](#) that determines whether or not you are included in the scheme.

If you have rental income from overseas, this will be taxed in the UK on the same basis as all other foreign income dependant on your residence status. [Section 6](#) gives more information on the taxation of different types of income.

Tax liability in the year you arrive in or depart from the UK

1.12 Under the [SRT](#) you are either UK resident or not UK resident for a full [tax year](#). If you leave or come to the UK part way through a tax year, the year may be split: this is referred to as split year treatment. Broadly speaking, this is where you pay UK tax on the foreign income and gains which arise in the

Impact of residence and domicile

UK part of the split year, but not on those foreign income and gains which arise in the overseas part of that tax year. We explain the terms UK part and overseas part below. You can find out more about tax when coming to the UK in [section 3](#) and tax when leaving the UK in [section 4](#).

Split year treatment

1.13 There are eight cases where split year treatment can apply. If, during a year, you meet one or more of these cases, for example you leave the UK to live or work abroad or come to the UK to live or work, your tax year will be split into two parts:

- a [UK part](#) in which you are charged to UK tax as a UK resident; and
- an [overseas part](#) in which, for most purposes, you are charged to UK tax as someone who is not UK resident.

For more detail see section 5 of the [SRT Guidance Note](#) (RDR3).

Contacting HMRC when arriving in or leaving the UK

1.14 You should tell HMRC immediately if you come to the UK to live or work or leave the UK to live or work overseas. You should also tell HMRC if those circumstances change while you are in the UK.

What if I come back to the UK after a period abroad?

1.15 If you come to the UK having been here before, your earlier presence in the UK may affect your tax liability and whether [split year treatment](#) will be applied.

1.16 You will need to consider whether or not your absence from the UK was a period when you were:

- still UK resident, or
- temporarily non-resident (see section 6 of the [SRT Guidance Note](#) (RDR3)), or
- not UK resident.

2. Residence

Statutory residence test (SRT)

2.1 The Finance Act 2013 introduced the SRT. This is a set of rules to determine your tax residence; it sets out what makes you UK resident for tax purposes. The SRT came into force from the start of the 2013-14 [tax year](#). The [SRT Guidance Note](#) (RDR3) explains what factors are taken into account when deciding your residence status. There is also an on-line tool, the [Tax Residence Indicator](#), available to help you determine your UK residence status.

2.2 The SRT cannot be used to determine your residence status for the purposes of determining your tax liabilities for tax years before 2013-14. You should refer to [HMRC6](#) for information on residence before 6 April 2013.

3. Tax when coming to the UK

Am I UK resident for tax purposes?

3.1 From the [tax year](#) 2013-14 onwards, you are likely to be treated as UK resident under the statutory residence test (SRT) if you:

- spend 183 or more days in the UK in the tax year, or
- have a home in the UK, and don't have a home [overseas](#), or
- work full-time in the UK over a period of 365 days.

Whether or not you are in full-time work is a matter of fact, based on the hours you actually work. You should read paragraph 1.41 of the [SRT Guidance Note](#) (RDR3) for details on how to calculate whether you meet this condition or not.

3.2 You could still be treated as UK resident even if you do not satisfy these conditions. This will depend on the number of connections you have to the UK and the amount of time you spend here. The SRT rules are explained in the [SRT Guidance Note](#).

An on-line tool, the [Tax Residence Indicator](#), is available to help you decide whether or not you are UK resident.

What should I do if I work in the UK as an employee?

3.3 When you work for an employer in the UK, your employer will tell HMRC that you are working for them and they will deduct tax from your earnings under the Pay As You Earn ([PAYE](#)) scheme.

3.4 If you work for an employer who is not present in the UK, you should [contact HMRC](#) for advice.

3.5 If you receive shares or other securities by reason of your employment, there are special rules relating to residence, split-year treatment and the remittance basis that are described in the International section of the Employment-Related Securities Manual at [ERSM160000](#).

3.6 If you continue to be a resident of a country with which the UK has a Double Taxation Agreement (DTA), it may contain provisions about where you pay tax. You can find more information about double taxation in [section 10](#).

3.7 The [HMRC website](#) contains general information on things you might need to know when you come to the UK as an employee.

What should I do if I come to the UK to work for myself?

3.8 If you are self-employed you can find out what you need to do on [the HMRC website](#) or you can telephone our [self-employed helpline](#). The helpline adviser will give you the advice you need to pay the right amount of UK tax at the right time.

Tax when coming to the UK

3.9 If you continue to be a resident of a country with which the UK has a DTA, it may contain provisions about where you pay tax. You can find more information about this in [section 10](#).

Self employment – business commencement and cessation provisions

3.10 As a resident of the UK you will pay UK tax on the profits of your trade, profession or vocation (business) regardless of where the business is carried on. There are special rules which apply when you start or end your business ('commencement' and 'cessation' rules). These rules may apply when you become resident in the UK even though you have not started or ended your business.

3.11 The cessation and commencement rules will apply if:

- you become [UK resident](#)
- you have been carrying on a business wholly or partly outside the UK

and you continue to carry on that business. You are 'deemed' to have ceased one business and started another from the date of the change in your UK residence status or if split year treatment applies, from the split year date.

3.12 Unless split year treatment applies, the commencement of your residence in the UK takes place at the start of the [tax year](#) in which your change of residence occurs. Your business is deemed to have ceased and a new business to have commenced at that time. This may affect the amount of tax you have to pay.

3.13 If the business:

- was carried on wholly in the UK or partly in the UK before the change in your UK residence status, and
- is deemed to have ceased and commenced when you became UK resident

for UK tax purposes any unused losses in the UK business, or in the UK part of the business, before the deemed cessation can be:

- carried forward
- set against the profits of the 'deemed' commencing business.

3.14 If the location of your UK business or the UK part of your business changes, generally the deeming rules do not apply. The fact that your business is in a completely new location is likely to mean that it has:

- a different structure
- a different customer base

Tax when coming to the UK

- different employees

and that the business has in fact ceased and a new business has commenced. In these circumstances you will not be able to carry forward unused losses from the old business to set against the profits of the new one.

3.15 Some businesses are not localised in this way. These businesses are mainly carried on by professional people, wherever in the world the person happens to be. Examples of this would include:

- actors
- sportsmen or women
- authors
- musicians.

Effect of split year treatment when you carry on a trade, profession or vocation

3.16 If [split year treatment](#) applies to you, the deemed cessation and commencement of your business takes place at the beginning of the UK part of the [tax year](#). For the year of arrival in the UK you will be liable to UK tax on:

- the proportion of your profits which reflect the profits you made in the UK part of the tax year
- the profits from a UK business or any part of a business carried on in the UK during the overseas part of the tax year. If the [deeming rule](#) applies, for UK tax purposes any unused UK losses before the deemed cessation can be carried forward and used against profit of the deemed commencing business.

3.17 For [Capital Gains Tax](#) if you dispose of an asset:

- in the UK part of a split year, the normal Capital Gains Tax rules will apply
- in the overseas part of a split year,
 - where the asset was situated in the UK and was used or held for the purposes of a business that was carried on through a branch or agency in the UK, the disposal would be liable to Capital Gains Tax. Additionally, the cessation of the business, or the removal of the asset from the UK would give rise to a deemed disposal of the asset (see [CG25500+](#) for more detailed guidance)
 - where the disposal was of any other asset, the gain may be liable to Capital Gains Tax if it falls within a period of temporary non-residence. For more information on temporary non-residence, see section 6 of the [SRT Guidance Note](#) (RDR3).

Tax when coming to the UK

National Insurance Number

3.18 You need a National Insurance Number to work in the UK. See our website for further information about [National Insurance](#), and [how to apply for a National Insurance number](#) if you do not already have one. See [section 11](#) for more information about National Insurance.

What if I come to the UK but I am not working?

3.19 If you have come to the UK to live, even if you are not working here, you could still have [overseas](#) income and gains or UK source income and gains. You should consider whether you need to complete a [Self Assessment tax return](#).

What if I come to the UK to perform as an entertainer, sportsman or sportswoman?

3.20 There is a special scheme for taxing the income of foreign entertainers and sportspersons who come to perform in the UK (but not to live here). This applies, for example, to actors, musicians and other entertainers performing on stage or screen and those participating in all kinds of sports.

- The person who is paying you should deduct withholding tax from your payments.
- In some circumstances you may need to complete a Self Assessment tax return.

See the [HMRC web pages](#) for more information.

What if I come to the UK as a student?

3.21 If you come to the UK as a student you should refer to the [SRT Guidance Note](#) (RDR3) to help you decide whether or not you are UK resident.

3.22 If you do get a job while you are here you might have to pay UK tax on your earnings. Earnings for any work you do in the UK are liable to UK tax whether or not you are UK resident. If you are going to work in the UK you will need a [National Insurance Number](#).

3.23 How much tax you have to pay depends on the amount you earn during a [tax year](#). If you are entitled to [UK personal tax allowances](#) these will reduce the amount of any UK tax you have to pay.

3.24 You should check if there is a DTA between the UK and the country in which you usually live. Most DTAs make provision for the tax treatment of any payments that you receive from [overseas](#):

- for course fees
- for your maintenance while you are studying here.

Tax when coming to the UK

You can find more information in [section 10](#).

Short-term repeated visits

3.25 For residence purposes, it does not matter whether your visits to the UK are for the same purpose, different purposes, or varying lengths of time. The number of days spent in the UK is one factor, alongside others, which needs to be taken into account when considering your UK residence status. You should refer to the [SRT Guidance Note](#) (RDR3) for further information.

Tax when leaving the UK

4. Tax when leaving the UK

4.1 If you leave the UK you may become not resident in the UK. From the [tax year](#) 2013-14 onwards you are likely to be treated as not resident in the UK for Income Tax or Capital Gains Tax purposes in the tax year if:

- you did not spend more than 45 days in the UK and were not resident in the UK in any of the three previous tax years, or
- you did not spend more than 15 days in the UK and were resident in the UK in one or more of the three previous tax years, or
- you are working full-time [overseas](#) and;
 - you spend fewer than 91 days in the UK, and
 - you do not work in the UK for three hours or more on more than 30 days.

Whether or not you are in full-time work is a matter of fact, based on the hours you actually work. You should read paragraph 1.10 of the [SRT Guidance Note](#) (RDR3) for details on how to calculate whether you meet this condition or not.

4.2 If none of the above conditions apply to you, you may still be treated as not resident in the UK for tax purposes, depending on the number of connections you have with the UK and the amount of time you spend here. You should read the [SRT Guidance Note](#) (RDR3) for further information.

4.3 You do not stop being resident in the UK simply because you become resident elsewhere. You can be resident in more than one country at the same time. If you are resident in the UK and another country you can find out about:

- what income may or may not be taxed in the UK
- what relief you can have if your income is taxed in more than one country
- whether you are able to claim personal allowances

in [section 10, Double Taxation](#).

Contact HMRC when leaving the UK

4.4 If you are leaving the UK you must tell HMRC. We will tell you if you need to complete:

- a UK tax return after you have left
- a form P85 to get any tax refund you may be owed, or to obtain an amended tax code.

You will find detailed information about this on the [HMRC website](#).

Changes to your employment or self-employment when overseas

4.5 If your work circumstances change while you are [overseas](#), for example there is a break in full-time working, you should reconsider your residence status as it may have changed. You will find detailed information about this in paragraph 3.19 of the [SRT Guidance Note](#) (RDR3).

4.6 You must [contact us](#) if your residence status has changed. You must also tell us when you return to the UK at the end of an overseas work period, even if you are planning to go abroad again to work. You must do this even if you consider your return to the UK as temporary and for a very short period.

Self-employment – business commencement and cessation provisions

4.7 As a non-UK resident you will pay tax on profits:

- from a trade, profession or vocation (business) you carry on in the UK
- from the UK part of a business carried on partly in the UK and partly elsewhere.

4.8 There are special rules which apply when you start or end your business ('commencement' and 'cessation' rules). These rules may apply when you cease to be resident in the UK even though you have not started or ended your business. The commencement and cessation rules will apply if you:

- have been carrying on a business
- cease being resident in the UK

and you continue to carry on that business. You are 'deemed' to have ceased one business and started another from the date of the change in your UK residence status or, if split year treatment applies, from the split year date.

4.9 Unless split year treatment applies, the cessation of your residence in the UK takes place at the end of the last [tax year](#) of UK residence. Your business is deemed to have ceased and a new business to have commenced at that time. This may affect the amount of tax you have to pay.

4.10 Where the 'deemed' cessation of one business and commencement of another applies, for UK tax purposes any unused losses in the UK business, or in the UK part of the business, before the change in your UK residence status can be carried forward and set against the profits of the 'deemed' commencing business that arise in the UK.

4.11 Most trades and professions are carried out in a particular location such as a shop or factory. Therefore, ceasing to be UK resident usually means the location of the business changes (for example from one country to another). The fact that the business is in a completely new location is likely to mean that it has:

Tax when leaving the UK

- a different structure
- a different customer base
- different employees

and that the business has in fact ceased and a new business has commenced. In these circumstances you will not be able to carry forward losses from the old business to set against profits of the new one.

4.12 Some businesses are not carried out from a single location in this way. These businesses are mainly carried on by professional people, wherever in the world the person happens to be. Examples of this would include:

- actors
- sportsmen or women
- authors
- musicians.

Effect of split year treatment when you carry on a trade, profession or vocation

4.13 If [split year treatment](#) applies to you, the deemed cessation and commencement takes place at the end of the UK part of the year. For the year of leaving the UK, you will be liable to UK tax on:

- the proportion of your profits which reflect the profits you made in the UK part of the [tax year](#)
- the profits from a UK trade, or profits from the part of the trade carried on in the UK, during the overseas part of the tax year. If the deeming rule in paragraph 4.9 applies, any unused losses in the UK trade or the UK part of the trade before the deemed cessation can be carried forward and used against profit of the deemed commencing business.

4.14 For Capital Gains Tax if you dispose of an asset:

- in the UK part of a split year, the normal Capital Gains tax rules will apply
- in the overseas part of a split year,
 - where the asset was situated in the UK and was used or held for the purposes of a business that was carried on through a branch or agency in the UK, the disposal would be liable to Capital Gains Tax. Additionally, the cessation of the business, or the removal of the asset from the UK would give rise to a deemed disposal of the asset (see [CG25500+](#) for more detailed guidance)
 - where the disposal was of any other asset, the gain may be liable to Capital Gains Tax if falls within a period of temporary non-residence.

Tax when leaving the UK

For more information on split year treatment see section 5 of the [SRT Guidance Note](#) (RDR3); for information on temporary non-residence, see section 6 of the Guidance Note.

Special taxation rules for certain employees and offices working abroad

4.15 There are special rules for some employees who work abroad or hold certain offices. These are summarised below with links to further guidance where applicable.

Crown servants

4.16 If you are a [Crown servant](#) you will continue to be taxed in the UK in full on your Crown employment income whether or not the duties of the employment are carried out in the UK or overseas. Residence is not a material issue for the purpose of determining the tax liability on your Crown employment income. However, the taxation of other income is dependent upon your residence status. You can find more information about the taxation of Crown servants on the [HMRC website](#). Crown servants living overseas can contact us on the [Crown Servants Helpline](#) to discuss Income Tax or Capital Gains Tax queries.

UK Merchant Navy seafarers

4.17 Seafarers working on UK ships, who usually live in the UK when not at sea, are resident in the UK. However, if you are working as a seafarer wholly or partly outside the UK, you may be entitled to the 'Seafarers' Earnings Deduction' which can reduce the tax you have to pay. You will find information about this on the [HMRC website](#).

Oil and gas workers

4.18 If you are working in the oil or gas exploration/extraction industry within the UK's territorial waters, or other designated areas, you will be taxed in full in the UK on those earnings irrespective of your residence status. Different rules can apply for individuals working outside the designated areas or those working for non-UK employers. You will find information about this on the [HMRC website](#).

Students

4.19 The UK has entered into Double Taxation Agreements with many countries. Many of these agreements provide special rules for students and business apprentices who go abroad solely for the purpose of education or training. Under these rules payments which you receive for the purpose of your education, training or maintenance will not be taxable in the country of study. You can find more information in [section 10](#).

Tax when leaving the UK

Employees of the European Union

4.20 If you are a resident in one Member State and you go to live in another Member State to work for the European Union, your residence status does not change. You will remain resident in the last State you were resident in. For example, if you are a UK resident and you go to Luxembourg to work for the European Union you remain resident in the UK.

5. How does domicile affect your UK Income Tax and Capital Gains Tax liability?

5.1 For Income Tax and Capital Gains Tax purposes, whether or not you are domiciled in the UK may affect what UK tax you pay on any foreign income and gains during a [tax year](#). If you do not have foreign income and gains then your domicile status has no bearing on your UK Income Tax or Capital Gains Tax position and you do not need to consider it.

5.2 Your domicile status may also be relevant for Inheritance Tax and you should consult our [‘Customer Guide to Inheritance Tax’](#) for more details.

5.3 When your affairs are straightforward, this guidance will help you to reach a decision on your domicile status. The fact that you:

- were born in the UK
- have lived here for most of your life, or
- are now living here permanently

gives a good indication that you might be domiciled in the UK.

5.4 If your affairs are more complex, and you require more detailed information on domicile for Income Tax and Capital Gains Tax purposes, you should refer to the manual [RDRM20000](#). You may want to seek advice from a professional adviser.

5.5 If you are [UK resident](#) but are not domiciled in the UK, you may have to pay UK tax on any income and gains which [arise or accrue](#) here. You can choose to pay tax on your foreign income and gains using the remittance basis of taxation. Section 9 gives more information on the [remittance basis](#).

What does domicile mean?

5.6 Your domicile status is decided under general law, which means it must be interpreted according to previous rulings of the courts. There are many things which affect your domicile. Some of the main points are:

- you cannot be without a domicile
- you can only have one domicile at a time
- you are normally regarded as domiciled in the country where you have your permanent home. There is more about residence for domicile purposes at [RDRM22310](#)
- your existing domicile will continue until you acquire a new one
- your domicile is distinct from your nationality, citizenship and your residence status, although these can have an impact on your domicile.

5.7 ‘Home’ in the third point above, has a broader interpretation in relation to domicile than [home](#) does for [statutory residence test](#) purposes.

Domicile

5.8 The fact that you register and vote as an overseas elector is not normally taken into account when deciding whether or not you are domiciled in the UK.

UK domiciliary territories

5.9 The UK has three territories for domicile:

- England and Wales
- Scotland
- Northern Ireland.

References we make in this guidance to being 'domiciled in the UK' are references to being domiciled in any part of the UK.

Types of domicile

5.10 There are three types of domicile:

- domicile of origin
- domicile of choice
- domicile of dependence.

Domicile of origin

5.11 You normally acquire a domicile of origin from your father when you are born (see also '[domicile of dependence](#)'). Your domicile of origin will often be the country in which you were born. However, if you were born in a country and your father was not domiciled there at the time you were born, then your domicile of origin may be your father's country of domicile.

5.12 Furthermore, the fact that you were born in the UK does not automatically mean that you are domiciled here. For example, if:

- you were born in the UK to a non-UK domiciled father
- move to live indefinitely in a different country

you will not be domiciled in the UK. Your domicile of origin would be the same as the domicile of your father, i.e. non-UK. Unless you return to the UK and plan to remain here permanently or indefinitely, you will continue to be domiciled outside the UK.

Example 1

Arnd was born in the UK; his parents were married. His father was a non-UK domiciled soldier of another country serving in the UK. His domicile of origin is the same as the domicile of his father – non-UK.

5.13 Your domicile of origin may change if you are adopted, but otherwise it is not easy to displace.

(Example 2 on next page.)

Domicile

Example 2

Arnd's parents died when he was a child and he was adopted. His adoptive father is UK domiciled. Arnd's domicile of origin will change to a UK domicile as a result of the adoption. His original domicile of origin has been changed.

5.14 If your parents were not married at the time of your birth, you would acquire your domicile of origin from your mother.

5.15 If you leave the country of your domicile of origin, you will continue to be domiciled there until you acquire a domicile of choice elsewhere.

Domicile of choice

5.16 You have the legal capacity to acquire a new domicile at the age of 16 (in Scotland this has previously been from a younger age, see [RDRM22020](#)). Broadly, to acquire a domicile of choice, you must:

- leave your current country of domicile
- settle in another country.

5.17 When you reach 16, you will acquire a domicile of choice if you:

- are already living in a country other than that of your [domicile of origin](#)
- you intend to remain there permanently or indefinitely.

In either case, we may ask you to provide evidence that you intend to live in that other country permanently or indefinitely.

Example 3

Naoto was born in the UK. His father was a non-UK domiciled designer working in the UK. While he was a child his domicile of origin was the same as the domicile of his father.

Naoto was brought up, educated and started working in the UK. When he was 21 his father retired and decided to return to the country of his domicile of origin. Naoto stayed in the UK and has since bought a home, married and made the UK his permanent home which he does not intend to leave. He will not be joining his father abroad for anything other than occasional visits.

By deciding to stay in the UK permanently or indefinitely Naoto has established a domicile of choice in the UK.

Domicile of dependence

5.18 Until you have the legal capacity to change it (see [RDRM22020](#)), your domicile will follow that of the person on whom you are legally dependent, for example your father. If the domicile of that person changes, you will

Domicile

automatically acquire the same domicile as that person. If their domicile changes your domicile of origin will become dormant.

Women married before 1974

5.19 Before 1974, a married woman automatically acquired her husband's domicile. If you are a married woman who married before 1974, you retain your husband's domicile until you legally acquire a new domicile. If you are a woman who married on or after 1 January 1974, your domicile does not automatically follow your husband's. Your domicile is decided in the same way as any other individual who is able to have an independent domicile. Your marriage will only be one factor taken into account when deciding your domicile.

5.20 There is an exception to this general rule: the [Double Taxation Agreement](#) between the UK and the USA provides that a marriage before 1974 between a woman who is a US national and a man domiciled within the UK is deemed to have taken place on 1 January 1974.

Example 4

Zuine had a domicile of origin outside the UK; she married Albert, a man domiciled within the UK, in January 1970. Upon their marriage she became UK domiciled – her domicile of dependence being the same as her husband's domicile.

As from 1 January 1974 Zuine can acquire an independent domicile of choice, which could be different from her husband's domicile, by settling elsewhere.

If Zuine was a US national at the time of her marriage to Albert, her marriage will be deemed to have taken place on 1 January 1974 and any review of her domicile would be independent of the domicile of her husband.

When might HMRC challenge your domicile status?

5.21 We do not normally challenge any person who says they have a UK domicile. If you say you have a non-UK domicile, we might want to check whether or not that is correct, particularly if you were born in the UK.

5.22 By its very nature, a check aimed at establishing your domicile will be an in-depth examination of:

- your background
- lifestyle
- your intentions over the course of your lifetime.

Any check of this sort will extend to areas of your life, and that of your family, that you might not normally think are relevant to your UK tax affairs. We will need to ask these questions and sometimes ask you to provide us with

Domicile

[evidence](#) about these areas of your life, as part of our check. This may involve meeting with you in person.

Working out your domicile

5.23 Domicile can be a complex subject; the flowcharts on pages 29 to 32 have been included to help you work out your own domicile. These flowcharts give you no more than a likely indication of your domicile, although they will give the right answer for the majority of people. In the UK, only a court can make a formal ruling on your domicile.

Notes to domicile flowcharts

1. Your domicile status depends on the facts of your individual case. The flowcharts will give as strong an indication as possible, based on various generic factors. However, if your affairs are more complicated the flowcharts may not provide a definitive answer.
2. Your domicile status may be dependent on someone else's domicile (usually your father's). The flowcharts each provide a sequence of questions without reference to domicile itself to reach a conclusion showing what your likely status will be.
3. If your parents were not married at the time of your birth, references in the flowcharts to 'father' should be read as 'mother'.
4. If you were adopted, 'father' should be read as 'adopted father'.
5. If your father's domicile status changed when you were a child, you should not use the flowcharts, as the apparent conclusion could be misleading.
6. If, when using the flowcharts, you arrive at the conclusion you are 'domiciled in the UK' or 'probably domiciled in the UK' you may simply accept that conclusion. If you do, you should not tick the 'non-domiciled' box on form SA 109 (Residence, remittance basis etc. Self Assessment supplementary page). You will then be taxed on the [arising basis](#).
7. If the flowchart leads you to the conclusion that you are 'domiciled outside the UK' or 'probably domiciled outside the UK', you may feel that this confirms your own view. Or, you may consider consulting the [RDRM](#) or a professional advisor.
8. Your domicile relates to a particular territory. In most cases, this will be a country, but in federal countries, such as the USA and Australia, it relates to the individual state. Although the UK has three [territories](#) for domicile purposes, [it does not operate as a federal system](#).

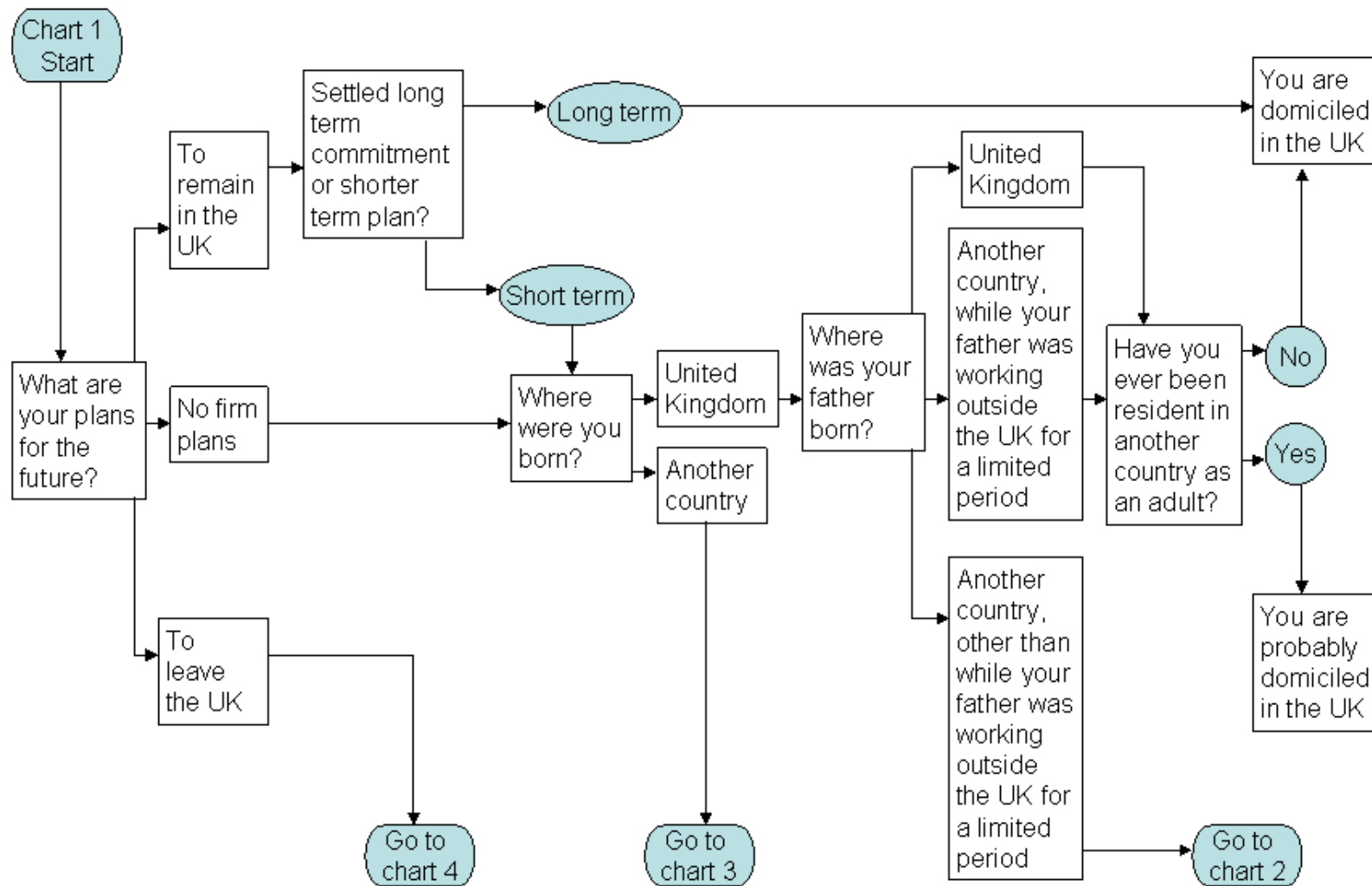
Domicile

9. You are responsible for ensuring that any declarations you make are correct.

(Flowcharts start on next page.)

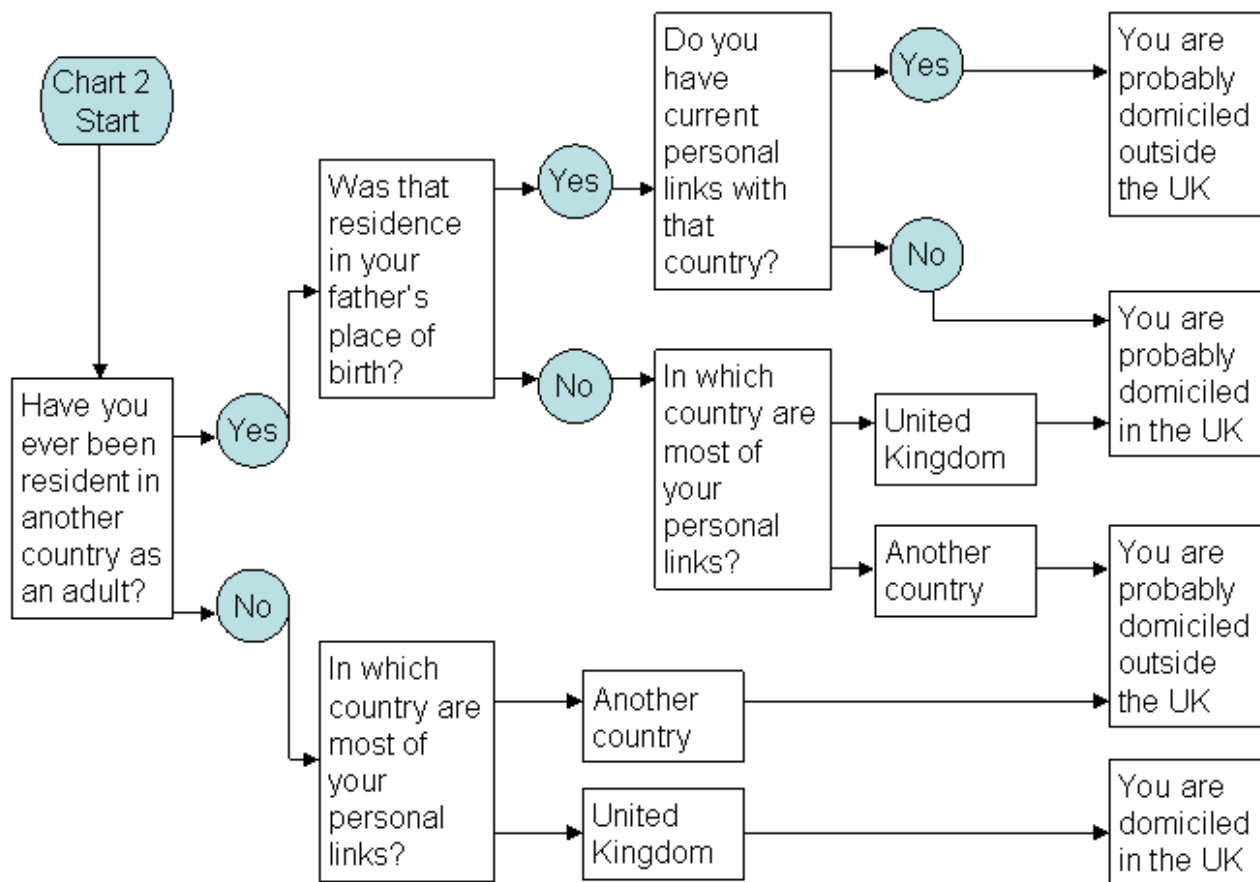
Domicile

Flowchart 1: Where is my domicile?



Domicile

Flowchart 2: You were born in the UK, your father was born in another country and you have no firm plans, or only short term plans to remain in the UK.



Example 5

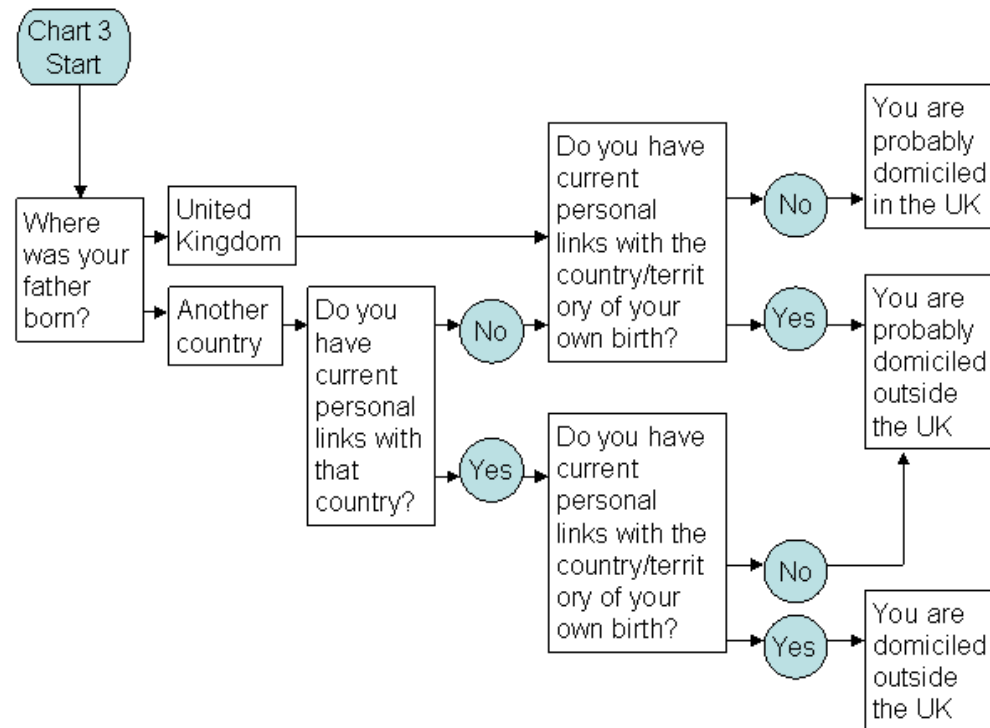
Catherine is living in the UK and has no firm plans about where she will live in the future. She was born in Scotland. Her father was born in Sweden and her grandfather and ancestors were Swedish.

Catherine's father was a business executive and the family lived in various countries, of which the UK was one. A musician, she has lived in several countries as an adult, but not yet in Sweden. Catherine is an only child. Her parents are dead and she has one surviving aunt. She rarely visits her family in Sweden. Her profession and lifestyle mean that she develops links with the place in which she is living.

Catherine uses flowchart 2 and concludes that she is probably domiciled in the UK. Given this, and the possibility that neither she nor her father ever settled anywhere outside Sweden, she might wish to consult more detailed guidance or seek the opinion of a professional adviser.

Domicile

Flowchart 3: You were born abroad and have no firm plans, or only short term plans, to remain in the UK.



Example 6

Daniel was born in New South Wales. He lives in England and intends to stay for at least another two years. Daniel follows the link from flowchart 1 to flowchart 3.

Daniel's father was Greek. Daniel has retained few links with Greece; he visits his family once every two or three years. His two sisters have lived in Western Australia for many years and his widowed mother lives there with his elder sister. Daniel owns property in Western Australia and has an interest in a business there. The family has little connection with New South Wales, although Daniel is in touch with a couple of childhood friends there.

Daniel finds it difficult to reach a conclusion about his domicile, as he has links with Australia but not specifically with New South Wales. He consults detailed guidance and realises that his current intentions cannot be considered in isolation. Daniel realises that his residence in the UK for over 30 years and his intentions during that period have to be taken into account.

Daniel concludes that he is domiciled in the UK (the result flowchart 1 would have given him if he had considered his long-term UK commitment from the outset). This is reinforced by Daniel's relative lack of links with the territory of his birth.

Domicile

Example 7

Aleksy, an electrician, was born in Poland and intends to return there in three or four years. His family background is Polish and his immediate family live in Poland.

Brian, an investment banker, was born in New York and intends to retire to France at the age of 60, just over five years from now. He has lived in London for much of his life, although he has spent several periods living abroad because of his employment.

Both Aleksy and Brian consider flowchart 1 and conclude that they should go to flowchart 4.

Both were born in another country; each must consider his father's place of birth. Aleksy's father was born in Poland; his grandfather lived his entire life in Poland, just as several generations of his family had done. Brian's father was born in Ireland, into a wealthy family the members of which divided their time between Ireland and England.

Aleksy believes that most of his personal links are with Poland and concludes that he is domiciled outside the UK. (Aleksy is typical of the majority of individuals who come to live and work in the UK without intending to remain here indefinitely.)

Brian has personal links with England, Ireland, France and New York. He thinks that, on balance, most of his personal links are with England but reaches the conclusion that he is probably domiciled abroad. Brian recognises that this is an indication of his domicile status and, because of his more complex circumstances, consults HMRC's more detailed guidance and then seeks the views of a professional adviser.

Example 8

Ethan was born in the UK and has lived here all his life apart from a year spent travelling around Europe and annual holidays spent abroad. His father was also born in the UK. Ethan plans to retire to France and has already purchased a house there which he, and his entire family visit whenever they can.

While Ethan has clear and firm plans to move to France he is currently domiciled in the UK and flowchart 4 leads him to that answer.

Types of income

6. Types of income

6.1 This part provides guidance to help you understand, depending on your residence and domicile status, your [liability to UK tax](#) on earned and investment income and your liability to Capital Gains Tax on gains realised on the disposal of assets.

Earned income

What is earned income?

6.2 Your earned income is:

- any payment you receive as a result of an employment
- profits from a trade, profession or vocation you carry on, or if you are a partner, profits from your notional trade
- any payment you receive from a pension
- income and gains from employment-related share schemes.

It also includes any taxable social security benefits you receive during a [tax year](#). The [GOV.UK website](#) lists the taxable state benefits.

General rules

6.3 The UK tax you have to pay on your earned income, whether earned in the UK or any other country, will depend on whether or not you are:

- [UK resident](#)
- [domiciled](#) here

and where your duties are carried out.

6.4 If:

- your work is normally [carried out overseas](#) but
- you have to carry out some of your duties in the UK,

the work you do in the UK will be part of your duties overseas only when you can show that the work you do in the UK is [merely incidental](#) to the duties of your employment overseas.

6.5 Earnings which are earned:

- in the UK are liable to UK tax on the [arising basis](#)
- overseas in a year for which you are not a UK resident are not taxable in the UK
- overseas in a tax year for which you are a resident of the UK and for which the [remittance basis](#) does not apply to you, are taxable in the UK on the arising basis.

Types of income

- overseas in a tax year for which you are a resident of the UK and for which the remittance basis does apply to you, may not be taxable in the UK unless and until they are [remitted](#) to the UK. This is subject to certain conditions.
 - If the conditions are met, and the overseas earnings are not remitted to the UK in the tax year that you receive them, those earnings are not taxable in the UK in that tax year. This is known as [Overseas Workday Relief](#).

If the conditions are not met, such earnings are taxable in the UK on the arising basis.

Employment income – where your duties are carried out

6.6 Where you actually carry out your employment duties determines whether your earnings from the employment are earned in the UK or overseas. Where you perform duties in the UK and [overseas](#) in a [tax year](#), your annual earnings are normally apportioned based on the number of workdays you have done in the UK and the number of workdays you have done overseas.

UK tax on earned income – when you are UK resident

6.7 If you are UK resident, you are liable to UK tax on the [arising basis](#) on [income earned](#) in the UK. You will also be liable to UK tax on earned income arising elsewhere, except when you are taxed on the [remittance basis](#) for your foreign income earned in a [tax year](#). If you come to or leave the UK part way through a tax year the year may be split for UK tax purposes so that, broadly speaking, earnings attributable to the overseas part of the year are not chargeable if they relate to overseas work. See paragraphs [1.12](#) and [1.13](#).

See [ERSM160000](#) for the special residence rules relating to employee share schemes.

6.8 Profits from your trade, profession or vocation, will be liable to tax on the arising basis whether the trade, profession or vocation is carried on in the UK or in another country. If you come to or leave the UK part way through a tax year the year may be split for UK tax purposes, see [paragraph 3.16](#). Special rules apply if you are eligible to use, and choose to use, the remittance basis – see [paragraph 6.13](#) below.

6.9 Throughout the remainder of this chapter, when we refer to paying tax on the remittance basis (and similar phrases), we do this on the premise that you are eligible to and choose to use this basis of taxation.

Pensions when you pay tax on the arising basis

6.10 When you are UK resident you are liable to UK tax on the [arising basis](#) on most pensions whether they are from the UK or another country. If you receive pension payments from another country (an overseas pension) you

Types of income

might be entitled to a 10% deduction from the amount chargeable. For more detail see [EIM74500](#).

Earnings from your employer when you use the [remittance basis](#)

6.11 If your employment duties in a tax year for a foreign (non UK) employer are performed:

- wholly overseas, your earnings from the employment for that tax year are only taxable if you remit them to the UK
- wholly or partly in the UK, your earnings from the employment for that tax year are taxable in the UK but you may be entitled to [Overseas Workday Relief](#) (OWR).

6.12 If your employment duties in a tax year are performed wholly or partly outside the UK for a UK employer, your earnings from the employment are taxable in the UK but you may be entitled to OWR.

See [ERSM160000](#) for the special remittance rules relating to employee share schemes.

Earnings from a trade, profession or vocation when you use the remittance basis

6.13 Your profits from any trade, profession or vocation carried on wholly outside the UK will be taxed only if they are [remitted](#) here. If you carry on the trade, profession or vocation partly in the UK and partly [overseas](#), your profits are treated as arising wholly in the UK.

Pensions when you pay tax on the remittance basis

6.14 If you are liable to UK tax on the [remittance basis](#), you will pay UK tax on:

- any UK pensions you receive
- the amount of any income from an overseas pension that you remit to the UK.

You are not entitled to the [10% deduction](#) for overseas pensions when you use the remittance basis.

Lump sum pension payments

6.15 If you receive lump sums from overseas pension schemes or provident funds, the guidance at [paragraph 6.35](#) explains your UK tax liability on the lump sum payments you receive.

Earned Income – Seafarers’ Earnings Deduction (SED)

6.16 If you are a seafarer (or ‘mariner’) who is UK resident or resident in any of the [EEA states](#) you might be entitled to a deduction in your UK tax. This is

Types of income

called the Seafarers' Earnings Deduction (SED). A seafarer is a person who performs the duties of their employment on a ship. An offshore installation, for example an oil rig, is not a ship for the purposes of SED. More information on SED can be found on our [website](#).

UK tax on earned income – when you are not UK resident

Earnings from your employer

6.17 When you are not [UK resident](#) you are liable to UK tax on any [earnings](#) for employment duties you carry out in the UK, unless those UK duties are 'merely incidental' to the duties of an [employment overseas](#). You will not pay UK tax on any earnings for employment duties which you carry out overseas.

6.18 If your employment duties are carried out partly in the UK and partly overseas you need to [keep sufficient details](#) to allow you to identify the earnings you have received for duties carried out in the UK. The income that relates to duties you carried out in the UK will be liable to UK tax.

Earnings you receive from a trade, profession or vocation

6.19 When you are not UK resident you are [liable to UK tax](#) on profits from a trade, profession or vocation that you carry on wholly in the UK. There is a special [tax withholding scheme](#) in place for visiting foreign entertainers and sportspersons who come to perform in the UK. You will not pay UK tax on any income or profits from a trade, profession or vocation that you carry on wholly [overseas](#).

6.20 If you are not UK resident and you carry on your trade, profession or vocation partly in the UK and partly outside the UK you will pay UK tax on the profits from the part of the trade, profession or vocation you carry on in the UK.

Pensions

6.21 When you are not UK resident you are [liable to UK tax](#) on most pensions from sources in the UK. You will not pay UK tax on pensions from sources outside the UK.

Double Taxation Agreements (DTAs)

6.22 If you are not [UK resident](#) or are treated as resident in another state under the terms of a relevant DTA you may be able to claim exemption from UK tax on your:

- UK earnings
- UK source pensions and
- [taxable UK social security benefits](#).

Types of income

This will depend on the content of the DTA between the UK and the other country concerned.

6.23 If, for the whole tax year, you

- are not UK resident and
- you do not claim relief under the terms of a DTA,

your liability on taxable UK social security benefits is limited to the tax, if any, deducted before payment. More information on DTAs can be found in [section 10](#) of this guidance.

Offshore oil and gas workers

6.24 If you are working [offshore](#) in the UK oil or gas exploration or exploitation industry you are not a seafarer and are not eligible to the [Seafarers' Earnings Deduction](#) unless you are on a ship.

6.25 If you are not [UK resident](#), working offshore in the UK oil and gas industry and carrying out your work:

- on the [UK continental shelf](#) but
- outside the [UK's territorial sea](#),

you will be treated as having performed those duties in the UK and your employment income will be liable to UK tax. More detail can be found at [EIM67100](#) or by following [this link](#). You may not be due a repayment of Income Tax.

6.26 If you are a resident of a country with which the UK has a DTA, or treated as resident in another state under the terms of a relevant DTA, there may be specific provisions for the offshore oil and gas industry. You will need to look at the relevant articles in the [specific DTA](#) for your circumstances. Any queries you have about this should be addressed to South Wales Area Office, Cardiff.

Workers on board aircraft, ships and other vessels – Where your duties are carried out

6.27 If you:

- work on planes, ships, trains or other vehicles which make [cross-border trips](#); and
- perform employment duties as you travel through
 - the UK
 - UK airspace
 - [UK territorial waters](#) or
 - the [UK continental shelf](#)

Types of income

you may be considered to be carrying out duties in the UK. If you carry out duties on a cross-border trip starting in the UK you will be treated as having a UK work day. If you carry out duties on an international journey starting overseas, the day will be counted as an overseas work day.

6.28 If you are not UK resident, whether you are relieved from UK tax on duties [carried out in the UK](#) will depend on:

- the terms of any relevant DTA; and
- the country of residence of the company operating the ship or aircraft on which you are employed.

You will need to find out the residence of the operator and look at relevant articles in the [DTA with that other country](#). More information on DTAs can be found in [section 10](#) of this guidance.

Merely incidental work

6.29 Whether or not the duties you perform in the UK are merely incidental to your overseas duties will always depend on the circumstances of your particular case. Any decision has to be based on the nature of the work you carry out in the UK and not simply the amount of time spent on it.

6.30 If the work you perform in the UK is the same or is of similar importance to the work that you do overseas, it will not be merely incidental.

6.31 Incidental work includes:

- an [overseas](#) employee visiting the UK and whilst here arranges a meeting with a client overseas and the associated travel
- a short period of time spent training in the UK by an overseas employee, provided that no productive work is carried out in the UK by the trainee.

However, training that is a necessary requirement for your employment, for example simulator training for aircraft pilots, is not merely incidental work.

6.32 Non incidental work includes:

- time spent in the UK as part of the duties of a member of the crew of a ship or aircraft
- attendance at directors' meetings in the UK by a director of the company who normally works overseas.

More detail can be found in [EIM40203](#) and EIM40204.

Types of income

Leave pay

6.33 When you are [UK resident](#) any leave pay you receive is normally taxable. If you have been [working overseas](#) and are paid for a period of leave spent in the UK, it will be taxed here as 'terminal leave pay'. It is taxed as arising in the period to which it relates – even if your entitlement to the leave pay was built up during a period of overseas employment. Any leave pay you receive for a period when you are UK resident is normally taxable.

6.34 If you are able to claim the [Seafarers' Earnings Deduction](#), you may be exempt from UK tax on your leave pay but this will depend on your individual circumstances. See more detailed guidance at [EIM33052](#).

Lump sums received from overseas pension schemes and provident funds

6.35 From tax year 2011-12 onwards, for the purpose of the disguised remuneration rules where those apply to non-registered pension schemes, if you receive lump sum retirement benefits which meet the following conditions you might not be charged UK Income Tax or be charged on a reduced portion of the benefit. The lump sum must be:

- from an overseas Employer Financed Retirement Benefits Scheme (EFRBS)
 - which is operated by a third-party (which concept might include a provident fund)
- in respect of service outside the UK.

A different tax treatment might apply when lump sums are paid from certain overseas pension schemes that are holding funds that have benefitted from UK tax relief. For more detail see [RPSM13102100](#) onwards.

6.36 What portion of the benefit is actually charged to Income Tax will depend on the extent of your foreign service. Full relief is available for rights accrued after 5 April 2011 for periods of service outside the UK when you were not UK resident.

Example 9

On 31 December 2020 Sonny receives £10,000 from an EFRBS in respect of six years service in circumstances that meet the relevant conditions. 50% of Sonny's service was in the UK and 50% of his service was given overseas in periods when he was not UK resident.

Only £5,000 is charged to Income Tax.

6.37 For

- benefits accrued in tax years up to 2010-11

Types of income

- benefits provided directly by the employer without involvement of a third-party EFRBS

a more detailed rule applies (known as ESC A10). For payments you receive under ESC A10 schemes, you will receive a full exemption if, in the employment to which the pension relates:

- at least 75% of your total service was overseas, or
- your total foreign service exceeds 10 years and the whole of the last 10 years service was overseas, or
- your total foreign service exceeds 20 years and not less than 50% of the total service was overseas, including any 10 of the last 20 years.

6.38 For the purpose of this paragraph 'service' ignores periods after 5 April 2011. Foreign service broadly means service overseas when you were not UK resident. If you do not meet these conditions treatment of your service up to 5 April 2011 reverts to the proportionate reduction described in paragraph 6.37.

6.39 If you have a mix of rights from a third-party EFRBS from both before 6 April 2011 and later, then the rules in paragraph 6.37 will need to be applied to the earlier part, and paragraph 6.40 to the later part. If you have a mix of rights provided directly by your employer (i.e. without the involvement of a third-party) then the rules in paragraph 6.40 will apply to the entirety of the service without cut-off on 6 April 2011.

6.40 Under certain circumstances, you will be charged to tax if you receive the sum during a period of temporary non-residence. For more information on temporary non-residence, see section 6 of the [SRT Guidance Note](#) (RDR3).

Investment income

6.41 Investment income is any income you have which is not a pension and has not been [earned](#) by you as an employee, or by carrying out your profession or by running your own business.

6.42 Although this list is not exhaustive, unearned income includes:

- interest from bank and building society accounts
- dividends on shares
- interest on stocks
- rental income received unless the rental income is part of the income of a trading business.

6.43 Investment income can arise in the UK and anywhere else in the world. The UK tax you have to pay on investment income will depend on whether you are [UK resident](#) or not UK resident.

UK tax on investment income – when you are UK resident

Liability on the arising basis

6.44 When you are UK resident you are liable to UK tax on your worldwide income and gains when you are taxed on the [arising basis](#).

6.45 Most banks, building societies and other deposit takers in the UK deduct UK tax from interest they pay or credit to your account. Most investment income from sources outside the UK, and some from sources in the UK, will not have had UK tax deducted before it is paid to you. This does not make it 'UK tax free' and you may be liable to UK tax on such income. You should tell HMRC about all such income and include it on any [Self Assessment tax return](#) you complete.

6.46 If your foreign investment income was subject to tax in the country where it was generated, you may be able to [offset this against your UK tax liability](#). You need to be able to produce [documentary evidence](#) of these foreign tax payments if we ask to see it. If the foreign tax you've paid is more than that payable as UK tax, you'll only get relief up to the amount of UK tax payable.

Liability on the remittance basis

6.47 If you use the [remittance basis](#) you may be charged UK tax on all of your [investment income](#) from UK sources, but your foreign investment income will only be liable to UK tax if it is [remitted](#) here. When using the remittance basis, certain types of investment income from sources outside the UK are often referred to as '[relevant foreign income](#)'.

UK Tax on investment income – when you are not UK resident

6.48 Although you are not [UK resident](#) you are liable to UK tax on investment income from UK sources. There is a restriction on your tax liability for investment income (See [SAIM1170](#)). This restriction is not available for any tax year in which split-year treatment applies (see section 5 of the [SRT Guidance Note](#) (RDR3)). You might also be able to receive tax relief under the terms of a [double taxation agreement](#), if one applies.

6.49 You will not be liable to UK tax on any investment income from sources outside the UK.

Interest from building societies and banks

6.50 Most building societies, banks and other deposit takers in the UK deduct UK tax from interest they pay or credit to your account. Up to 5 April 2014, if you are not [ordinarily resident](#) in the UK, you may be able to have your interest paid without tax being deducted. Whether you can do this depends on the terms and conditions of your account and whether or not your building society, bank or other deposit taker offers that facility.

Types of income

6.51 To receive your interest without UK tax being deducted, you should complete a [declaration form R105](#) and give it to your building society, bank or other deposit taker. A declaration will only have effect from the date it is received by your building society, bank or other deposit taker – it cannot be back-dated.

6.52 After 5 April 2014 a similar declaration will be able to be made by an investor who is not UK resident. Existing declarations made before that date will continue to have effect. If the account is a joint account you will only be able to complete a declaration if all the people who are beneficially entitled to the interest are not [UK resident](#).

6.53 If you (or, in the case of joint accounts, any of the people who are beneficially entitled to the interest) become UK resident, you must tell your bank, building society or deposit taker right away so they can start to deduct tax from the interest paid.

Income from property in the UK

6.54 If you have profits from letting property situated in the UK, you are [liable to tax in the UK](#) on those profits, even if you are not UK resident. Retention of tax from UK property income is dealt with under the [Non-resident Landlords Scheme](#).

UK government securities

6.55 The government issues 'FOTRA' (Free of Tax to Residents Abroad) securities. If you acquired 'FOTRA' securities on the basis that you were not ordinarily resident before 6 April 2013, these will continue to remain free of tax for any subsequent year for which you are not [ordinarily resident](#) in the UK. If you are not [UK resident](#) and acquire UK Government 'FOTRA' securities after 5 April 2013, you will not pay UK tax on the interest that arises on them unless the interest received forms part of the profits of a trade or business which is carried on in the UK.

6.56 If you hold securities with a nominal value of more than £5,000 during a [tax year](#) in which you are UK resident at any time, special tax provisions (the '[Accrued Income Scheme](#)') will apply when the securities are transferred. You will be [liable to UK Income Tax](#) on the interest that has built up ('accrued') over the period you owned the securities following the last interest payment, even if you were not UK resident for part of that period.

Capital gains and Capital Gains Tax

6.57 Capital Gains Tax is a tax on the profit (gain) you make when you dispose of assets. In the context of capital gains, 'dispose of' means sell, exchange or give away, and it also includes part-disposals. See HMRC webpage ["Is your asset liable to Capital Gains Tax?"](#) for further information.

Types of income

6.58 The Capital Gains Tax you have to pay on your gains, whether they are realised in the UK or any other country, will depend on whether you are:

- [UK resident](#)
- [domiciled](#) in the UK
- not domiciled in the UK but you are taxed on the remittance basis for the tax year.

[CG26100+](#) gives detailed information about the effect of residence and domicile on your liability to Capital Gains Tax.

UK tax on capital gains – when you are UK resident

6.59 If you are resident and domiciled in the UK you are liable to UK tax on the arising basis on capital gains made in the UK or elsewhere.

If you are resident but not domiciled in the UK, you are liable to UK tax on capital gains arising on the disposal of assets situated in the UK. If you dispose of assets that are not situated in the UK and you use the [remittance basis](#) you are normally only taxed on your foreign gains if they are remitted here.

If you come to the UK part way through a tax year the year may be split for UK tax purposes. See paragraphs [1.12](#) and [1.13](#). In addition, [CG14380+](#) gives detailed information about Capital Gains Tax and double taxation relief.

UK tax on capital gains – when you are not UK resident

6.60 When you are not [UK resident](#) you are not normally liable to UK tax on any capital gains realised. However, you may be liable to Capital Gains Tax on:

- gains realised within a period of temporary non-residence, see section 6 of the [SRT Guidance Note](#) (RDR3) or
- a gain that arises on an actual or deemed disposal of an asset connected with a trade, profession or vocation carried on through a branch or agency in the UK; see [CG25500+](#) for more detailed guidance.

Double Taxation Agreements (DTAs)

6.61 If you are not [UK resident](#) or are treated as resident in another state under the terms of a relevant [DTA](#) you may be able to claim exemption from UK Capital Gains Tax. This will depend on the content of the DTA between the UK and the other country concerned. See [paragraph 10.25](#) for information about DTAs and gains from disposals of assets.

Types of income

Table showing the scope of liability of income to UK tax

Using the table

6.62 The table below summarises the rest of this section, and is designed to help you identify your [liability to UK tax](#) on particular types of income, based upon your UK [domicile](#) and [UK residence](#) status and, if appropriate, whether you claim the [remittance basis](#).

You need to decide whether you are:

- domiciled in the UK or outside the UK
- UK resident or not UK resident.

If you are UK or EEA resident and are employed as a seafarer, you may be able to claim a deduction against your general earnings chargeable to tax in the UK if you meet certain conditions. More information on SED can be found on our [website](#).

6.63 Use of this table is subject to any different treatment provided for under the terms of the relevant article in a [DTA](#).

(Table set out on next page.)

Types of income

Your domicile status	Your UK residence status	Arising Basis (AB) or Remittance Basis (RB) claimed	Income from:											
			Employment duties performed wholly or partly in the UK		Employment duties performed wholly outside the UK		Trade or Profession carried on wholly or partly in the UK		Trade or profession carried on wholly outside the UK	UK Pension	Non UK (overseas) Pension	Investment Income From a UK source	Investment Income From a non UK source ⁴	UK Government 'FOTRA' Securities
			Duties performed in UK	Duties performed outside UK	UK resident employer	Overseas resident employer	Profits arising in the UK	Profits arising outside the UK						
Domiciled within the UK	Resident	AB	Liable	Liable	Liable	Liable	Liable	Liable	Liable	Liable	Liable ¹	Liable	Liable	Liable ³
	Not resident	AB	Liable	Not liable	Not liable	Not liable	Liable	Not liable	Not liable	Liable ⁶	Not liable ⁷	Liable	Not liable	Not liable
Domiciled outside UK	Resident	AB	Liable	Liable	Liable	Liable	Liable	Liable	Liable	Liable	Liable ¹	Liable	Liable	Liable ³
		RB	Liable	Liable on remittance ⁵	Liable	Liable on remittance	Liable	Liable	Liable on remittance	Liable	Liable on remittance ²	Liable	Liable on remittance	Liable ³
	Not resident	AB	Liable	Not liable	Not liable	Not liable	Liable	Not Liable	Not liable	Liable	Not liable	Liable	Not liable	Not liable

Notes on the table

¹ Liability to UK tax on this overseas pension will be subject to the terms of any relevant DTA. If the pension is liable to UK tax only 90% of the gross pension is chargeable.

Types of income

² If you make claim to the remittance basis the 10% deduction referred to at ¹ is not available.

³ Interest on '[FOTRA](#)' securities, if you are not UK resident, is exempt from tax when relevant conditions are met. See [SIAM1180](#) for more information.

⁴ Certain types of investment income from a non UK source are also known as '[relevant foreign income](#)'.

⁵ Liable on remittance if you qualify for [OWR](#). If you do not qualify for OWR this income is liable to UK tax on the arising basis.

⁶ Unless within s615 Income and Corporation Taxes Act 1988 – for example a UK pension scheme set up by a UK employer for an overseas workforce purely to provide benefits for service for their operations entirely outside the UK.

⁷ Unless lump sums within reach of Finance Act 2004 Schedule 34 - this typically extends to certain overseas schemes, the UK tax charging rules normally relating to 'registered pension schemes' or certain related arrangements (see the [Registered Pension Schemes Manual](#) for further information).

Types of income – tax liabilities

Transitional provisions for ordinary residence

6.64 For tax years 2013-14 onwards the concept of [ordinary residence](#) will no longer exist for most purposes of UK Income Tax and Capital Gains Tax.

However, where:

- you were resident but not ordinarily resident at the end of the tax year 2012-13
- that year was the first, second or third year of your [UK residence](#)

your income will continue to be taxed on the basis of the rules that were in place before the introduction of the [statutory residence test](#) for:

- 2013-14 (where that is the fourth year of residence), or
- 2013-14 and 2014-15 (where they are the third and fourth years of residence)
- 2013-14, 2014-15 and 2015-16 (where they are the second, third and fourth years of residence)

provided that you would have met the conditions to be not ordinarily resident in those years.

6.65 If you acquired '[FOTRA](#)' securities before 6 April 2013 these will continue to remain free of tax for any subsequent year for which you are not ordinarily resident in the UK.

6.66 Transitional provisions in relation to OWR are set out in paragraphs 17 and 18 of the [Guidance Note: Overseas Workday Relief \(RDR4\)](#).

7. Special rules for certain occupations

Entertainers and sportspersons

7.1 There is a special scheme for taxing the income of foreign (non-UK resident) entertainers and sportspersons who come to perform in the UK. This applies, for example, to actors and musicians performing on stage or screen and those participating in all kinds of sports. If this applies to you then the person who is paying you should deduct withholding tax from the payments made with respect to that performance, for example your appearance fee, expenses paid on your behalf or prize money. In some circumstances you may need to complete a Self Assessment tax return. See the [HMRC web pages](#) for more information about this scheme.

7.2 Entertainers and sportspersons who come to perform in the UK may be entitled to taxation relief under a Double Taxation Agreement. See [paragraph 10.20](#).

Non-resident landlords

7.3 If your '[usual place of abode](#)' is outside the UK and you have UK land or property which you rent out, all rental and income from that property, remains chargeable to UK tax.

7.4 The [Non-resident Landlord Scheme](#) is a tax scheme which operates to collect the tax due from non-resident landlords on the rental income from their UK properties. It is your 'usual place of abode' rather than your residence status that determines whether or not you are included in the scheme. If your usual place of abode is outside the UK and you use a letting agent to collect the rents on your behalf, the letting agent is responsible for the deduction of basic rate tax from your rental income and passing this onto HMRC. If you do not use a letting agent,

- any friend or relative you appoint, or
- the tenant

must deduct basic rate tax from your rental income and pass this onto HMRC on your behalf. You can set this tax off against your own tax bill at the end of the [tax year](#).

Receiving rental income with no tax deducted

7.5 As a non-resident landlord you can apply to HMRC to have your UK rent paid to you with no deduction of tax by completing form [NRL1](#). HMRC will usually approve your application on the understanding you will self assess any tax due. The approval does not mean that your rental income is exempt from Income Tax; you must include rent you receive in any [Self Assessment](#) tax return sent to you at the end of each tax year.

Special tax schemes for certain occupations

Property owned in joint names

7.6 If you own your property with another person, such as your spouse or civil partner, each person must decide whether their usual place of abode is outside the UK. Any owner whose usual place of abode is outside the UK is a non-resident landlord. Where you and your partner or any other person jointly own a property and both have your usual place of abode outside the UK, each person is treated as a separate non-resident landlord and must complete a separate form NRL1.

Members of HM Armed Forces and other Crown Servants

7.7 If you are a member of HM Armed Forces or other Crown Servant, including a diplomat, you may use the non-resident landlord scheme in the same way as other non-resident landlords. If your usual place of abode is outside the UK, you will need to make an application to HMRC on form NRL1 if you want your rental income paid to you with no tax deducted.

7.8 For full details of the scheme see the [non-resident landlord scheme](#).

8. UK personal tax allowances

What are UK tax allowances?

8.1 The [Income Tax Personal Allowance](#) is an amount of income you can have each [tax year](#) without having to pay tax on it. Almost all people who are UK resident are entitled to an Income Tax Personal Allowance. The amount of your personal allowance depends on your age and the total income you receive from all taxable sources in the tax year. Depending on your circumstances, you may also be able to claim certain [other allowances](#).

How do UK tax allowances work?

8.2 If you are an employee in the UK, you will have a [tax code](#) which reflects your UK personal allowances (if you are entitled to any) and any other reliefs. As an employee in the UK you will have tax deducted at source from your wages/salary under the Pay As You Earn ([PAYE](#)) system. Your employer deducts tax on the basis of your individual tax code.

How do you receive UK tax allowances?

8.3 If you have employment or an occupational pension in the UK you should get your personal allowances automatically through your tax code. The other way to get tax allowances is via your [Self Assessment tax return](#) (if you complete one).

Are you entitled to UK tax allowances when using the remittance basis?

8.4 Some categories of people who choose to use the [remittance basis](#) are still entitled to UK [personal allowances](#). If you are [UK resident](#) and:

- are not [domiciled](#) in the UK
- have less than £2,000 in unremitted foreign income and/or gains
- claim the remittance basis

you are entitled to UK personal allowances.

8.5 If you hold [dual residence status](#) you may also qualify for allowances under certain [Double Taxation Agreements](#) (DTAs). You need to be UK resident and at the same time [Treaty resident](#) in one of the countries listed at [RDRM10315](#).

8.6 Normally when you make a claim to use the remittance basis for a tax year you will not be entitled to the following allowances:

- all levels of the Income Tax Personal Allowance
- Blind Person's Allowance
- tax reductions for married couples and civil partners.

8.7 You will also lose:

Personal allowances

- tax reliefs for certain payments for life assurance premiums (although these will cease from 2014-15)
- the [Annual Exempt Amount](#), an allowance you set against any capital gains you make during a tax year.

8.8 Where a DTA allows you to claim the remittance basis and still have UK personal allowances, you will need to consider carefully whether, in your particular case, it actually makes sense to do so. The terms of the [specific DTA](#) might mean that there is, in fact, no benefit in claiming the remittance basis as the non-UK country may tax any foreign income and gains not remitted to the UK.

What should you do if you have UK tax allowances and choose to use the remittance basis?

8.9 If you decide during a tax year that you are going to use the [remittance basis](#) and you are still getting [UK personal allowances](#) through the [PAYE](#) system, you may not be paying enough UK tax.

8.10 If you [contact us](#), we can arrange to amend your [tax code](#) to one which does not give relief for personal allowances, thus reducing any potential tax bill arising from you getting the benefit of allowances you are no longer entitled to. Your employer can't do this for you as your tax affairs are confidential between you and HMRC. Until they receive a new tax code from us, your employer will continue to deduct tax from you based on the code we originally issued before you were claiming the remittance basis.

Allowances when coming to the UK

8.11 If you become [UK resident](#) for a tax year, even if you are taxed on the basis that [split year treatment](#) applies, you will be able to get full allowances and reliefs in the year of your arrival. This will be subject to any claim you have made to the [remittance basis of taxation](#).

Allowances for non-UK residents

8.12 If you come to the UK, but do not become [resident](#) here, you may be able to get [UK personal allowances](#) as a non-resident if you are any of the following:

- a citizen of a state within the European Economic Area ([EEA](#))
- a resident in the Isle of Man or the Channel Islands
- someone who was previously UK resident and is now resident abroad for their health or the health of a member of their family who lives with them
- a current or a former employee of the British Crown (for example a civil servant, a diplomat or a member of the armed forces)
- a civil servant in a territory under the protection of the British Crown
- a UK missionary society employee, or

Personal allowances

- a widow, widower or the surviving civil partner of a former employee of the British Crown.

8.13 If you do not qualify for personal allowances under the conditions shown at 8.12, you may qualify under the terms of a relevant DTA. Please check the column headed “Personal Allowances” in the [Digest of Double Taxation Treaties](#).

8.14 If you are not UK resident and you wish to get UK tax allowances you should [contact HMRC](#).

9. The remittance basis of taxation

What is the remittance basis?

9.1 If you are UK resident you will normally be taxed on the [arising basis](#). This means that you are liable to pay UK tax on your worldwide income and gains, wherever those arise or accrue.

9.2 The remittance basis is an alternative tax treatment available to people who are [UK resident](#) but not [domiciled](#) in the UK and who have foreign income and gains.

9.3 This section gives you an overview of how the remittance basis operates and includes the changes which came into effect from 6 April 2012, and from 6 April 2013. This guidance will help you if you have straightforward tax affairs: if your tax affairs are more complex, or you require more detailed information about the remittance basis, you can refer to the [RDRM](#). You may also want to take advice from a professional adviser.

9.4 If you need information about the operation of the remittance basis before the changes introduced from 6 April 2012 and 6 April 2013, you should refer to our booklet Residence, Domicile and the Remittance Basis ([HMRC6](#)).

Who can use the remittance basis?

9.5 To use the remittance basis for your foreign income and foreign gains you must be UK resident and be either:

- not domiciled in the UK, or
- for years up to 2012-13, not [ordinarily resident](#) in the UK. In this case
 - you can use the remittance basis in respect of foreign income
 - you cannot use it in respect of foreign gains unless you are also not domiciled in the UK.

9.6 If you have used the remittance basis in earlier years and you bring any of those earlier years' foreign income and gains to the UK at a later date, you will still be liable to UK tax on this [remittance](#) even if you do not claim the remittance basis in the later year.

How does the remittance basis work?

9.7 When you are eligible and choose to use the remittance basis, you will be liable to UK tax on:

- all of your UK income and gains as they [arise or accrue](#) each year
- your foreign income and gains if and when you [bring \(remit\)](#) them to the UK, including any property which derives from those income and gains.

Remittance basis

There are some exceptions to what constitutes a remittance and these are explained in [paragraph 9.53](#) of this guidance.

9.8 Even if you are eligible to use the remittance basis you do not have to use it. You can use the [arising basis](#) and pay UK tax on your worldwide income and gains. If you choose to use the remittance basis, you will not normally qualify for:

- [personal allowances](#) and reliefs for Income Tax
- the [annual exempt amount](#) for Capital Gains Tax.

9.9 Depending upon how long you have been UK resident, you may also have to pay the [Remittance Basis Charge](#). The decision to use the remittance basis will depend on your personal circumstances. You should consider the effect on your entitlement to reliefs and also:

- how much of your foreign income and gains you leave outside the UK
- how long you have been UK resident
- whether double taxation reliefs apply to you
- whether you are eligible for [Overseas Workday Relief](#).

9.10 You normally make a claim to use the remittance basis on the Residence, Remittance Basis supplementary pages of the [Self Assessment tax return \(SA 109\)](#).

Exemption for small amounts of foreign income

9.11 If you are employed in the UK, are not [domiciled](#) here and have only small amounts of foreign income you can benefit from an exemption on amounts you remit to the UK.

9.12 To qualify for the exemption you must meet all of the following conditions for a [tax year](#):

- you are [UK resident](#)
- you are not domiciled in the UK
- you are employed in the UK
- you are a [basic rate](#) taxpayer (based on your worldwide income and gains)
- your income from overseas employment for the tax year is less than £10,000
- your overseas bank interest for the tax year is less than £100
- all your overseas employment income and interest is subject to foreign tax
- you have no other overseas income and gains
- you are not otherwise [requirehttps://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return](https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return) to complete the Self Assessment tax return.

Remittance basis

9.13 If you meet all these conditions you will be automatically taxed on the [arising basis](#) for that year and you:

- will not be liable to UK tax on your foreign income, either when it arises or when it is [brought to](#) the UK
- do not need to complete the Self Assessment tax return in respect of your foreign income for that tax year
- do not need to claim the remittance basis.

9.14 If your circumstances are such that, despite meeting the above conditions, you want to be taxed on the remittance basis you will need to [claim](#) and complete a Self Assessment tax return.

Less than £2,000 unremitted foreign income and gains arising or accruing in the tax year

9.15 If your [unremitted](#) foreign income and gains [arising](#) or accruing in the tax year are less than £2,000, you can use the remittance basis without having to complete a Self Assessment tax return. In this case you will:

- be automatically taxed on the remittance basis (unless the rules at [paragraph 9.11](#) apply)
- retain your entitlement to UK [Personal Tax Allowances](#) and to the [annual exempt amount](#) for Capital Gains Tax
- not have to pay the [Remittance Basis Charge \(RBC\)](#) if you are a long-term UK resident.

9.16 If you do not meet the criteria in [paragraphs 9.11 and 9.12](#), but

- you have less than £2,000 unremitted foreign income and gains
- you choose to be taxed on the arising basis

you should complete a Self Assessment tax return to declare your foreign income and gains. The [Self Assessment guidance](#) on our website gives more detail.

How do I calculate the value of my unremitted foreign income and gains?

9.17 To calculate your unremitted foreign income in a tax year, you should deduct the total foreign income you have [remitted](#) during the tax year from the total foreign income you received, in each currency, during the tax year. The balance left is your unremitted foreign income. You should convert this into pounds sterling at the rate of exchange prevailing on the last day of the [tax year](#) to calculate your unremitted foreign income.

9.18 Gains are always calculated in sterling. To calculate the amount of the proceeds for a disposal you must use the exchange rate prevailing at the date

Remittance basis

of the disposal. For any allowable expenditure, you should use the date it was incurred.

9.19 Your unremitted foreign income and gains is the sum of your unremitted foreign income and your unremitted foreign gains.

£2,000 or more unremitted foreign income and gains arising or accruing in the tax year

9.20 If your unremitted foreign income and gains arising or accruing in a tax year is £2,000 or more, you will have to make a claim if you wish to be taxed on the remittance basis. If you do not make a claim to the remittance basis you will be liable to UK tax on your worldwide income and gains on the [arising basis](#).

How do I claim the remittance basis?

9.21 You can claim to be taxed on the remittance basis by completing a Self Assessment tax return including the [Residence, Remittance Basis supplementary pages \(SA 109\)](#). The questions on those pages cover the status conditions for claiming the remittance basis and allow you to make a declaration on the following:

- your [residence](#) status
- your [ordinary residence](#) status (up to tax year 2012-13)
- whether you are affected by [Double Taxation Agreements](#) for relief purposes
- your [domicile](#) status
- your claim for the remittance basis
- where you are under 18 years of age at 5 April
- your [nominations of foreign income and gains](#) (required for your claim to the remittance basis to be valid).

9.22 If you have less than £2,000 unremitted foreign income and gains and are using the remittance basis you should complete these supplementary pages if you are a Self Assessment taxpayer for any other reason.

9.23 If you are not domiciled in the UK and have remitted foreign gains, you may also need the [SA108 Capital Gains supplementary pages](#).

Overseas losses election

9.24 If you are UK resident but not domiciled in the UK and want to offset any overseas losses (such as from the disposal of overseas assets) against your chargeable gains, you must make an election to do so. From 2008-09 onwards, you must make this election in the first year in which you claim the remittance basis, whether or not you have chargeable gains or overseas losses in that year. Once an election has been made it cannot be revoked.

Remittance basis

9.25 Once you have made this election your foreign losses may be set against your UK gains as well as against your foreign gains, subject to special [ordering rules](#). If you choose not to make an election your foreign losses for the year and for all future years (in which you remain not domiciled in the UK) will not be allowable losses.

9.26 You should make a claim to offset losses on overseas assets against chargeable gains on the SA108 Capital Gains supplementary pages of a Self Assessment tax return. You make the election in the white space provided on the form. For more information on foreign losses see [CG25330](#).

Further exceptions to making a Self Assessment tax return claim for the remittance basis

9.27 Normally, if you want to claim the remittance basis, you have to complete a Self Assessment tax return. There are three exceptions to this which you will need to consider. The first is explained in paragraph [9.15](#). The other two are when:

- you have been [UK resident](#) for fewer than seven of the previous nine tax years and you;
 - have no foreign income or gains
 - have no UK income and gains in the tax year (except taxed UK investment income of less than £100)
 - make no taxable [remittances](#) of foreign income and gains in the tax year
- you are aged under 18 and you;
 - have no foreign income or gains
 - have no UK income and gains in the tax year (except taxed UK investment income of less than £100)
 - make no taxable remittances of foreign income and gains in the tax year.

9.28 In both of these cases, you will not lose your entitlement to [UK personal allowances](#), reliefs to Income Tax or to the [Annual Exempt Amount](#) for capital gains.

Remittance Basis Charge (RBC)

9.29 If you decide to claim the remittance basis and are a long-term UK resident, you may have to pay the RBC. The RBC is tax on a part of the foreign income or gains that you leave outside the UK and [nominate](#). It is payable in addition to any UK tax you have to pay on either:

- UK income or gains, or
- foreign income and/or gains [remitted](#) to the UK.

Remittance basis

9.30 You must pay the RBC if, in a tax year, you have £2,000 or more from overseas income or gains arising or accruing which you have not remitted to the UK and:

- you make a claim to use the remittance basis
- you are aged 18 or over at the end of the tax year
- you are a long-term UK resident.

What counts as long-term residence?

9.31 For RBC purposes, you are a long-term UK resident if you have been UK resident in at least seven of the previous nine UK tax years. When counting those tax years you must include:

- all the tax years you were UK resident, including any when you were under 18 years-old
- any years in which you were UK resident and entitled to [split-year treatment](#) for Income Tax or Capital Gains Tax purposes
- any years in which you were resident in the UK and another country, even if you are regarded as Treaty resident in the other country.

Example 10

Martha is UK resident for the tax year 2013-14. Her unremitted foreign income or gains for that year are £250,000 and she is considering making a claim for the remittance basis in 2013-14. Martha's residence status for the preceding tax years is as follows:

1999–2000 Not UK resident

2000–01 Not UK resident

2001–02 UK resident

2002–03 UK resident

2003–04 UK resident

2004–05 UK resident

2005–06 UK resident

2006–07 UK resident

2007–08 UK resident

2008-09 UK resident

2009-10 UK resident (continues on next page.)

Remittance basis

2010-11 UK resident

2011-12 UK resident

2012-13 UK resident

Martha has been UK resident for 12 of the 14 tax years immediately preceding 2013-14.

How much is the RBC?

9.32 Before 6 April 2012 the RBC was an annual tax charge of £30,000. From 6 April 2012 there are two levels of charge:

- £30,000 if you have been UK resident in at least seven out of the preceding nine UK tax years; or
- £50,000 if you have been UK resident in at least 12 out of the preceding 14 UK tax years.

You will pay either the £30,000 or the £50,000 charge; you will not pay both in any one tax year.

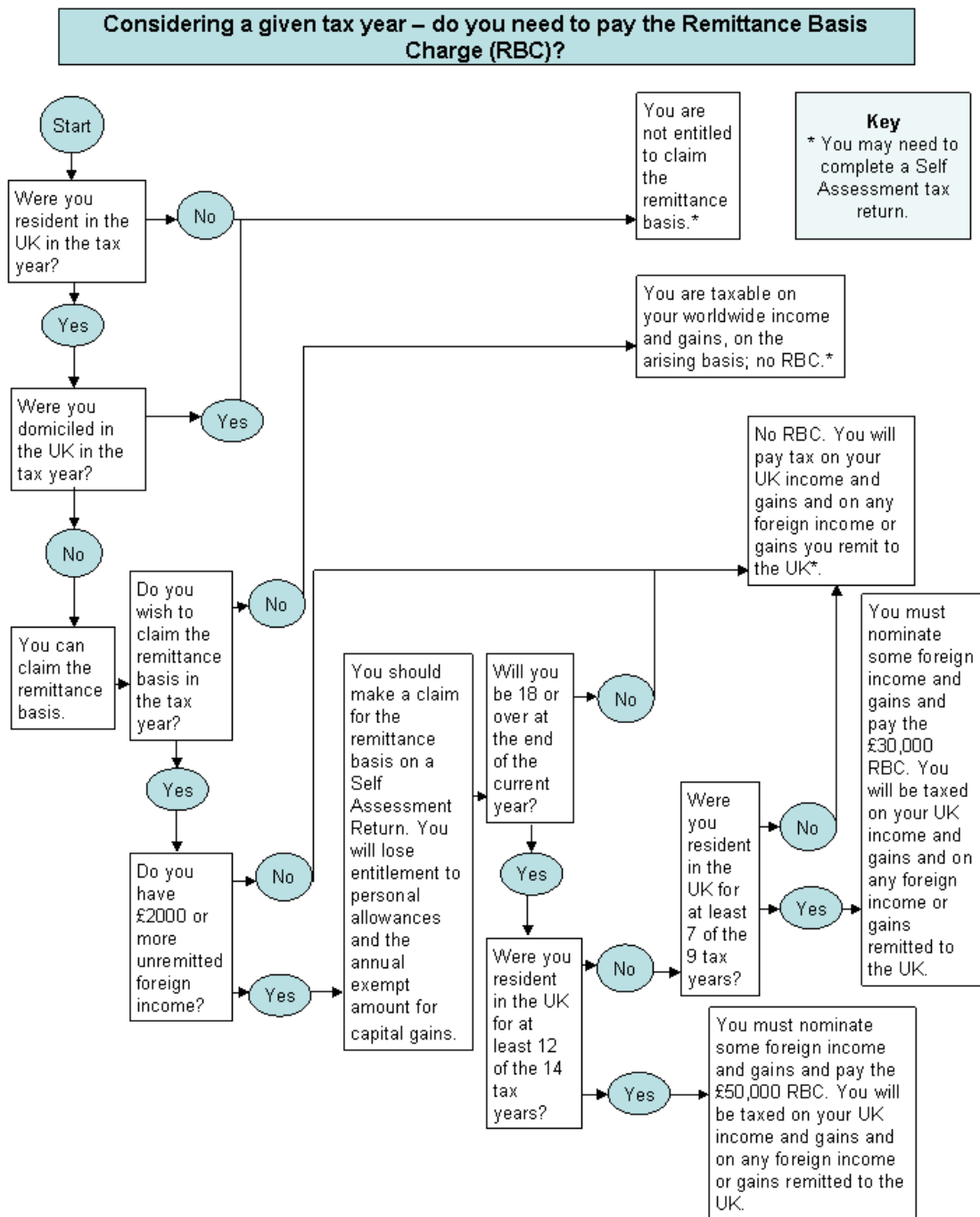
Nominating foreign income and gains

9.33 If you claim the remittance basis and are a [long-term UK resident](#), you will be required to nominate some foreign income and/or gains, on which the RBC is charged, on your Self Assessment tax return. The charge will be Income Tax, Capital Gains Tax or a combination of the two.

9.34 The notes on completing your Self Assessment tax return will help you and there is detailed information about nominating foreign income and gains at [RDRM35100](#). However, you may want to take advice from a professional adviser.

9.35 The flowchart, on the next page, is a broad guide to help you decide if you need to pay the RBC. You have a choice each tax year whether to claim the remittance basis. If, in a particular tax year, it would be more beneficial for you to pay tax on your worldwide income and gains than to pay the RBC, you may choose not to claim the remittance basis.

Remittance basis



Paying the RBC

9.36 Payment of the RBC with foreign income and gains is not regarded as a [remittance](#) provided the payment is made from funds held outside the UK, directly to HMRC, by:

- a cheque (drawn on a foreign bank account), or
- an electronic transfer of funds.

Remittance basis

9.37 You might need to [demonstrate](#) that the payment was made direct to HMRC.

9.38 If you subsequently withdraw your claim to the remittance basis and the RBC is no longer due, any foreign income and gains used to pay it, which is repaid by HMRC, will be regarded as a remittance and will be subject to UK tax at that point.

9.39 From 2013-14, if you:

- make payment on account of Income Tax up to the level of the RBC from your foreign income and gains, in anticipation of a remittance basis claim
- paid the RBC in the previous tax year
- do not subsequently make a claim to be taxed on the remittance basis;

your foreign income and gains used to make the payment on account will not be treated as remitted, provided you take an equivalent amount out of the UK by 15 March following the end of the tax year to which the RB charge does not apply.

What is a remittance?

9.40 A remittance is any money or other property, which is, or which derives from:

- your [offshore](#) income and gains which are;
 - brought to
 - received, or
 - used

either directly or indirectly in the UK, for

- your benefit, or
- the benefit of any other [relevant person](#).

9.41 There is also a remittance when a service provided in the UK, to you or any other relevant person, is paid for outside the UK with your foreign income and gains.

9.42 Money or property does not have to be physically imported from overseas for a remittance to occur. It might be received in the UK from another UK resident, in return for money or assets representing income and gains being transferred to them [overseas](#). The precise method of 'remittance' makes no difference. A remittance may be made via any commercially recognised form of money such as cash, notes, cheques, promissory notes, bills of exchange or financial credit.

Remittance basis

9.43 You will find more detailed information on what constitutes a remittance in [RDRM33000](#).

Mixed funds

9.44 A mixed fund is an [overseas](#) fund of money or other property which contains, or consists of:

- more than one type of income or gains, or
- income or gains from more than one [tax year](#).

9.45 A typical example of a mixed fund would be a bank account in which you hold different types of income, such as bank interest, dividends and earnings, or gains. Another example of a mixed fund is an asset you have purchased using a mixture of income, gains and capital.

9.46 You do not have a mixed fund if you keep separate accounts for each different form of income, gains and capital from each tax year.

9.47 If you use the remittance basis and you make a remittance from a mixed fund, income and gains are regarded as remitted to the UK in a specified order:

- employment income (including UK employment income)
- untaxed foreign income and gains are regarded as [remitted](#) before taxed foreign income and gains and capital
- income and gains and capital from the current year are regarded as remitted before income and gains and capital from each previous year in turn.

9.48 There is more information on mixed funds in [RDRM35220](#). If the mixed fund rules apply to your remittances you may wish to consult a professional adviser.

Special mixed fund rules

9.49 New rules to simplify the handling of mixed funds were introduced by Finance Act 2013. These rules only apply to you if you are an employee entitled to [Overseas Workday Relief](#).

Temporary non-residence and the remittance basis

9.50 If you have been UK resident, go to live abroad and then return at a later date, you may have been temporarily non-resident (see section 6 of the [SRT Guidance Note](#) (RDR3)). If you remitted any of your [relevant foreign income](#) and foreign gains to the UK during that period there may be a charge to tax when you return to the UK.

Business investment relief

9.51 From 6 April 2012, remittance basis taxpayers who:

- bring their foreign income and gains, or property deriving from those income and gains, to the UK
- invest them in a target company

may claim relief from the UK tax charge that would otherwise arise. This is known as the business investment relief.

9.52 If you are considering making a qualifying investment and claiming the relief, you should read the detailed information in section 2 of our [Guidance Note: Changes to the Remittance Basis](#).

Sales of exempt assets

9.53 In certain circumstances, property which is derived from your foreign income and gains can be brought to the UK without being chargeable to UK tax.

9.54 From 6 April 2012 you can sell such items in the UK and:

- the sale would not be treated as a remittance
- the gain on the sale would be treated as a foreign chargeable gain

provided all of the relevant conditions are met. See section 3 of our [Guidance Note: Changes to the Remittance Basis](#) for more details.

10. Double taxation

10.1 There is an introduction to double taxation on our [website](#). This gives you the background to double taxation agreements (DTAs) and the principles of how they work. You should note that UK [tax years](#) and foreign tax years might not be the same.

10.2 If you are [resident](#) in more than one country it is likely that your tax affairs are complex. The way DTAs affect you will depend upon your individual circumstances and the terms of the relevant DTA. If you are a resident of a country other than the UK, a DTA may alter the amount of UK tax you have to pay. For example, a DTA may determine:

- what income may or may not be taxed in the UK
- what relief you can have if your income is taxed in more than one country
- whether you are able to claim personal allowances.

10.3 Our website contains up to date [details of the countries](#) with which the UK has a DTA in force. Further information about individual DTAs can be found in our [Double Taxation Relief Manual](#) and [Digest of Double Taxation Agreements](#). As the details of a DTA will vary from agreement to agreement, you will need to look at these to check how they impact you.

10.4 To obtain relief from UK tax under the terms of a DTA you will need to [make a claim](#) under the relevant DTA.

Non-UK residents

10.5.1 If you are:

- a resident of a [country with which the UK has a DTA](#)
- not [UK resident](#),

you may be able to claim:

- exemption or partial relief from UK tax on certain [types of income](#) from UK sources, or
- exemption from Capital Gains Tax on the [disposal of assets](#).

10.6 If you are:

- a resident of a county with which the UK has a DTA
- resident in the UK

you may still be able to claim these exemptions if there are tie breaker tests in the DTA that make you a resident of the other country for the purposes of the DTA – see [Dual Residence](#).

Double Taxation

DTA reliefs on Income

10.7 Normally, you can claim relief from UK tax on the following types of income under a DTA:

- [pensions](#) and some annuities (other than [UK Government pensions](#))
- royalties
- [dividends](#)
- interest.

Some agreements state that you must be:

- subject to tax in the other country in question, or
- the [beneficial owner](#) of the income in the other country in question

before you are entitled to [claim relief](#) from UK tax.

UK Government pensions

10.8 If you receive a pension paid by the UK for service to:

- the UK Government, or
- a local authority in the UK

it will usually be taxed only by the UK. There is a more detailed list at [INTM343040](#).

Relief under a DTA when carrying on a trade or business

10.9 If you are not UK resident, but carrying on a trade or running a business through a [permanent establishment](#) here, you may not qualify for relief from UK tax on:

- royalties
- interest, or
- [dividends](#)

connected with that permanent establishment. A 'permanent establishment' will usually include a place of management, a branch or an office, among other things. What constitutes a permanent establishment is often defined in the DTA in question.

Earnings from employment and professional services

10.10 The guidance in the following paragraphs (10.11 to 10.19) will not apply if you are an entertainer or sportsman, see [paragraph 10.20](#).

10.11 If you are not [UK resident](#) you may be able to claim exemption from UK tax under most DTAs on:

- [earnings](#) for employment duties in the UK

Double Taxation

- profits or earnings for [independent, personal or professional services](#) carried out in the UK.

10.12 Usually there are conditions to be met before you can [claim relief](#) under a DTA. The most common conditions are listed below.

If you are employed you:

- must not be present in the UK on more than 183 days in the period specified in the [specific DTA](#) (often twelve months)
- your [remuneration](#) must be paid by (or on behalf of) an employer who is not resident in the UK and it must not be borne by a UK branch of your employer.

If you carry out independent, personal or professional services you:

- must not operate from a fixed base in the UK, or
- (in the case of some DTAs) spend more than a specified number of days in the UK.

10.13 Some DTAs have different rules for fees that an individual receives as a company director. The detail of [each DTA](#) is different and you should always check the agreement for your particular circumstances.

10.14 You should keep [records of any work done](#) in the UK, covering both the nature and extent of the work you do. For DTA purposes part days are recorded as work days, not just those days where you are in the UK at midnight (see section 3 of the [SRT Guidance Note](#) (RDR3)). This is especially important if you are working both in the UK and abroad.

Teachers and researchers

10.15 Under many DTAs, if you are a teacher or professor who comes to the UK to teach in a school, college, university or other educational establishment for a period of two years or less, you may be exempt from UK tax on your earnings from the teaching post. Temporary absences from the UK during this period normally count as part of the two years; you should check the detail in the [individual DTA](#) covering your particular circumstances.

10.16 Some agreements also cover anyone who engages in research. Where this is so, the rules are normally the same as for teachers.

10.17 There are some points you should be aware of:

- if your stay exceeds two years, under most DTAs you cannot claim the exemption at all and you will be liable to tax on the whole of your earnings from the date you arrived

Double Taxation

- some DTAs allow exemption to be given only if the earnings are liable to tax in your home country
- if you have already received exemption for a visit (or visits) of up to two years, some DTAs will not allow you to claim the exemption again if you make a further visit at a later date.

Students and apprentices

10.18 Under most DTAs, if you are an overseas student or apprentice visiting the UK solely for full-time education or training, you will not pay tax on payments from sources outside the UK for your:

- maintenance
- education, or
- training.

10.19 A number of DTAs also provide that students or apprentices visiting the UK will be exempt from UK tax on certain earnings from employment here. There may be restrictions on this relief, including;

- monetary limits
- conditions on the nature of your employment.

You should check the detail in the [individual DTA](#) covering your particular circumstances.

Entertainers and sportspersons

10.20 Under most DTAs, if you are not [UK resident](#) any payments you receive directly or indirectly connected to performances in the UK will be liable to UK tax. This includes, for example, actors and musicians performing on stage or screen, and those participating in all kinds of sports. A special withholding tax scheme operates for entertainers and sportspersons; see the [Foreign Entertainers Unit](#) for more information.

Dividends

10.21 If you are UK resident you are entitled to a [tax credit](#) when you receive a [qualifying](#) dividend from a company resident in the UK. That credit and the actual dividend received are taken into account when calculating your tax liability.

10.22 If you are not UK resident and you receive a qualifying dividend from a UK company, you are only entitled to take the tax credit into account when calculating your UK tax liability if you are:

- a citizen of a state within the European Economic Area ([EEA](#))
- a current or a former employee of the British Crown (for example a civil servant, a diplomat or a member of the armed forces)
- a UK missionary society employee

Double Taxation

- a civil servant in a territory under the protection of the British Crown
- a resident of the Isle of Man or the Channel Islands
- a former resident of the UK who lives abroad for the sake of your own health or the health of a member of your family who lives with you
- a widow, widower or the surviving civil partner of an employee of the British Crown.

10.23 If you are UK resident and receive a [relevant dividend](#) from a non-UK resident company you may be entitled to the tax credit if you hold less than 10% of the company's issued share capital or meet one of the other conditions set out in [SAIM5102](#). The tax credit is never repayable even if it exceeds your UK tax liability for the year.

10.24 You may also have the right to offset this tax credit against your tax liabilities if you receive UK [personal tax allowances](#) and reliefs through a claim under a DTA. But if you can only claim these allowances because of the terms of a DTA, whether or not you are entitled to offset the tax credit will depend on the terms of the [specific DTA](#).

Capital gains

10.25 Under many DTAs, your gains from disposals of assets other than 'immovable' or 'real' property (for example land and buildings) are chargeable only in the country where you are resident for the purposes of the DTA. If you are resident in another country on a temporary basis, and return to being [UK resident](#), you may be chargeable to Capital Gains Tax on disposals you made when you were not UK resident. For more information on temporary non-residence, see section 6 of the [SRT Guidance Note](#) (RDR3).

10.26 DTAs generally allow disposals of immovable or real property to be charged in both:

- the country where the property is located
- the country where you are resident for the purposes of the DTA.

However the country where you are resident may give a [credit for the tax payable](#) in the country where your real property was located.

10.27 If you are carrying on a trade or running a business through a [permanent establishment](#) in the UK, gains you make from disposing of assets connected with the permanent establishment will continue to be chargeable to Capital Gains Tax in the UK.

Pensions

10.28 Under most DTAs, pensions (other than [government pensions](#)) are chargeable only in the country of residence. Government pensions are usually chargeable only in the country where they are being paid. A government pension is generally:

Double Taxation

- a pension paid out of funds, or
- a pension scheme set up

by a government or local authority for services rendered to that government or local authority. More information on government pensions can be found at [INTM343020](#).

10.29 The detail of each DTA is different and you should always check the content of the [specific DTA](#) for your particular circumstances.

UK residents

Relief from tax you pay overseas

10.30 If you are [UK resident](#) and have foreign income and gains which are taxable in the country in which they arise or accrue, you may qualify for [relief against UK](#) tax on those income and gains for all or part of the foreign tax you have paid.

10.31 If there is no DTA between the UK and the other country concerned, you may be entitled to [unilateral relief](#) under special provisions in the UK's tax legislation.

Dual residence

10.32 You can be regarded as a resident of more than one country. You can be 'dual resident'. If you are dual resident, it is normally necessary to decide where you are resident for the purposes of applying a DTA. HMRC [help sheet HS302](#) explains how:

- most DTAs resolve the question of dual residence
- how liability to UK tax can be affected by the outcome.

10.33 Since not all DTAs are the same, it is essential that you check the text of the [particular DTA](#) to see what tests are applied when considering whether you may be entitled to any relief from UK tax.

10.34 If these tests prove inconclusive, DTAs normally provide for the tax authorities of the two countries to settle the matter by negotiation. In practice very few claims reach this stage.

Dual residence – consequences for tax liability

10.35 If it is decided that you are resident for the purposes of the DTA in the other country, your UK tax liability is usually affected. If it is decided that you are UK resident for the purpose of the DTA, you remain liable to UK tax as a UK resident. You may, however, be entitled to relief from tax in the other country as a UK resident for the purposes of the DTA.

11. National Insurance Contributions when leaving or arriving in the UK

Introduction

11.1 Most people who work in the UK pay [National Insurance Contributions](#) (NICs) in addition to paying tax. If you leave the UK to work abroad, depending on your circumstances you may have to continue paying UK NICs. If you arrive in the UK from abroad and are employed or self-employed then generally you will be required to pay UK NICs as soon as you start work.

11.2 Your position with regards to paying NICs will depend on whether you are leaving the UK for, or are arriving in the UK from:

- a [European Economic Area](#) (EEA) country or Switzerland in which case EU social security rules will apply*
- a country with which the UK has a [Bilateral Social Security Agreement](#), or
- another foreign country which is outside the EEA or Switzerland and which does not have a Bilateral Social Security Agreement with the UK.

*Switzerland is not a member of the EEA but an agreement with the EU means that the EU social security rules largely apply there. For the purposes of the EU social security rules you are treated as being resident in the country (EEA or Switzerland) in which you are 'habitually resident'. This is based on an assessment of the facts but will usually be the country you normally live in and where you have your centre of interests. Where you are habitually resident may not be the same country where you are [resident](#) for tax purposes.

Going to an EEA country or Switzerland

11.3 If you go live and/or work in another EEA country or Switzerland you will probably be covered by EU social security rules and, depending on how these apply, you might have to start paying contributions in that country or have to continue to pay UK NICs.

11.4 The general rule is that you will be subject to the social security legislation of the country in which you are working and will pay contributions there. However, there are some exceptions to this general rule including where you are:

- an EEA national posted to work temporarily in an EEA country or Switzerland
 - if your UK employer sends you to work in an EEA country or Switzerland for a period expected to be no longer than 24 months, then you and your employer will usually continue to pay UK NICs as if you were still in the UK;

National Insurance Contributions

- your employer will need to apply on your behalf to [NIC&EO International Caseworker](#) for form A1. This form confirms that you will continue to pay UK NICs whilst working in the other country and will ensure that you are not required to contribute to the other country's social security scheme.
- a non-EEA national legally resident in the UK who is posted by their UK employer to work temporarily in another EEA country
 - if your posting period is expected to be no longer than 12 months at the outset then you and your employer will usually continue to pay NICs as if you were in the UK;
 - your employer will need to apply on your behalf to NIC&EO International Caseworker for a form E101;
 - if the work lasts longer than expected, you can apply for form E102 which will extend the period during which you can continue to pay UK NICs for up to a further 12 months. The other Member State has to agree to the extension for form E102 to be issued.
- normally self-employed in the UK and working temporarily in another EEA country or Switzerland
 - similar rules to those outlined above for employees apply if you are self-employed in the UK and go to work temporarily in another EEA country.
- going to work in an EEA country or Switzerland and in one of the following groups. If so you may have to continue paying UK NICs:
 - those who normally work in more than one country
 - seafarers (mariners)
 - transport workers and aircrew
 - civil servants
 - members of the staff of diplomatic or consular posts
 - those who work for a member of the staff of a diplomatic or consular post
 - members of the staff of the European Union
 - members of Her Majesty's forces, or
 - civilians who work for Her Majesty's forces in Germany, or for an organisation like NAAFI which serves Her Majesty's forces.

11.5 If you are working in an EEA country or Switzerland under any other circumstances, for example

- you are working for a foreign employer; or
- you intend to remain abroad indefinitely

you will probably have to pay social security contributions to the other country's scheme. If so, you will not be required to pay UK NICs, but it might be possible for you to pay UK voluntary NICs to protect your basic UK pension entitlement.

National Insurance Contributions

11.6 You will also need to ensure that you have a valid European Health Insurance Card (EHIC) whilst working in the other country. The EHIC provides healthcare cover abroad for you and any family members who accompany you. You can [apply online](#) or by phone on 0300 330 1350.

Arriving in the UK from an EEA country or Switzerland

11.7 If you arrive in the UK from another [EEA](#) country or Switzerland then you will be covered by the EU social security rules. Depending on how these apply you might have to start paying UK NICs or continue to pay social security contributions in the country you have come from.

11.8 The general rule is that you will be subject to UK social security legislation when working here and will pay NICs from the outset. However, there are some exceptions to this general rule for which you will need to obtain form A1 (or in some cases form E101) from the social security institution in the country you are coming from. This form will confirm that you will continue to contribute to the foreign scheme and are exempted from paying UK NICs.

11.9 The most common exemptions are where you:

- are posted by your employer to work temporarily in the UK for up to 24 months
- are normally self-employed in the other country but temporarily carrying out your activities in the UK
- are normally employed in more than one country
- are coming to work in the UK but belong to one of the following groups:
 - aircrew
 - civil servants
 - members of the staff of diplomatic or consular posts
 - those who work for a member of the staff of a diplomatic or consular post
 - members of the armed services
 - normally work in two or more Member states and are employed in one country and self-employed in another
 - seafarers (mariners).

If you think that you are covered by any of these exceptions then you should seek advice from the social security authority in the EEA country you have come from.

Going to work in a country with which the UK has a Bilateral Social Security Agreement.

11.10 The UK has Bilateral Social Security Agreements with a number of [other countries](#) which cover social security contributions. If you are going to

National Insurance Contributions

one of these countries then your position will depend on the rules contained in that particular agreement.

11.11 The general rule is that you will be subject to the social security legislation of the country in which you work. However, each agreement contains exceptions to this general rule. These exceptions can include where you are:

- posted to work temporarily in a Bilateral Agreement country
 - if your employer sends you to one of these countries, you may be required to continue paying UK NICs as if you were still in the UK. How long you continue to pay UK NICs will depend on the length of your posting and the [particular agreement](#).
- self-employed in the UK and working in a Bilateral Agreement country
 - not all agreements cover those who are self-employed in the UK but carrying out their work in an agreement country. Those that do contain similar rules to those that apply to employed people. This means that you might have to continue to pay UK NICs whilst working in the other country.
- covered by other [exceptions](#) which are specific to some Bilateral Agreements and apply to:
 - other employment scenarios, or
 - to particular groups such as mariners, transport workers, and government workers.

11.12 If you are covered by an exception then you (or your employer if you are working for them abroad) should apply to [NIC&EO International Caseworker](#) for a certificate to confirm that UK NICs continue to be paid while you are working in the other country. This certificate ensures that you are also not required to contribute to the other country's social security scheme. Depending on your circumstances some agreements include provisions which may allow you to continue paying UK NICs for longer than the normal posting period allowed.

11.13 If you are working in a Bilateral Agreement country in other circumstances, for example:

- for a foreign employer, or
- you intend to remain abroad indefinitely

you will probably have to pay social security contributions to that other country's scheme. If so, you will not be required to pay UK NICs but it might be possible for you to pay [UK voluntary NICs](#) to protect your UK basic pension rights.

National Insurance Contributions

11.14 There is no general provision for healthcare in most Bilateral Agreements. You or your employer should consider your healthcare provisions while working in such countries.

Arriving in the UK from a country with which the UK has a Bilateral Social Security Agreement.

11.15 Where an agreement includes the Isle of Man, Guernsey and Jersey, as being part of the UK then the benefits and obligations of the agreement will also apply to those territories.

11.16 If you come to the UK from a country with which the UK has a Bilateral Social Security Agreement covering NICs the general rule is that you will be subject to UK social security legislation and have to pay UK NICs. However, most agreements contain exceptions to this general rule. The most common exceptions are where you are:

- posted by your employer to work temporarily in the UK
- self-employed in the other country but carrying out your activities temporarily in the UK
- covered by other exceptions specific to some bilateral agreements that can apply to:
 - other employment scenarios or
 - particular groups such as mariners, transport workers, and government workers.

11.17 If you are covered by an exception then you may have to continue paying social security contributions in the country you are coming from. You should check the agreement and/or seek advice from the social security authority in that country. If appropriate they will issue you with a certificate to confirm that whilst working in the UK you continue to be subject to paying contributions to that country and are exempt from paying NICs.

Going to a country which is outside the EEA or Switzerland and not covered by a Bilateral Social Security Agreement.

11.18 If you are going to work in a country which is outside the EEA and Switzerland, and is not covered by a Bilateral Social Security Agreement, then your position will depend on the domestic rules in that country. The general rule is that you will have to pay contributions there. However, if your UK employer sends you to work in such a country you will be required to continue paying UK NICs for the first 52 weeks of employment there where all of the following conditions are met:

- your employer has a place of business in the UK
- you are [ordinarily resident](#) in the UK
- you were resident in the UK immediately before starting the work abroad.

National Insurance Contributions

No certificate is required to confirm that you continue to pay UK NICs.

11.19 Some countries will require you to pay contributions to their scheme in addition to the UK NICs. After your first 52 continuous weeks working in that country (this may include short holidays, periods of sick leave, etc.) you will not be required to pay UK NICs. However, you may be able to pay [voluntary NICs](#) to protect your UK basic pension. Should you decide not to pay voluntary UK NICs, your National Insurance record will be protected for certain Social Security benefits (but not State Pension or widow's benefit) should you return to the UK.

Residence and ordinary residence for NICs purposes

11.20 The country where you are resident or ordinarily resident for NICs purposes may not be the same country where you are [resident](#) for tax purposes. Leaflet [NI38](#) 'Social Security abroad' gives guidance on the rules on residence and ordinarily residence which apply for NICs purposes.

You can also find more information on [our website](#).

Coming from country which is outside the EEA or Switzerland and not covered by a Bilateral Social Security Agreement.

11.21 If you are coming to the UK from such a country then you may be exempt from paying UK NICs for up to 52 weeks providing that you meet all the following criteria:

- you are not [ordinarily resident](#) in the UK
- you normally work outside the UK for a foreign employer
- you are sent to work in the UK for a time by that foreign employer
- when in the UK you work for that employer.

If this is the case then neither you nor your employer will pay UK NICs for the first 52 weeks of your employment in the UK. NICs are payable from the 53rd week.

11.22 If you do not meet these criteria you are liable to pay NICs from the start of your employment in the UK. If your employer does not have a place of business in the UK and supplies you to work in another business in the UK, that business will be liable to pay the NICs due.

12. Record keeping

12.1 This section covers records you may need to keep for all residence, domicile and remittance basis purposes, including records you may need to keep for the purposes of establishing your residence under the [statutory residence test](#).

12.2 Retaining suitable records is your responsibility. The extent and nature of the records you will need to keep will depend upon your personal circumstances.

12.3 The following lists of records and documents which you might retain in order to support:

- statements about your residence status,
- statements about your domicile status, or
- other declarations made on your Self Assessment tax returns,
- specific responses to questions in the [Tax Residence Indicator](#) (TRI) tool,

do not necessarily represent a list of everything that you have to keep. Rather, they give an indication of the sort of evidence which you might find useful to decide your own position.

12.4 In many cases your circumstances will be straightforward and you will not need to retain paperwork over and above any documentation you might normally be expected to keep for your own or your employer's purposes. In the event of any query, HMRC will consider the weight and quality of all evidence taken together, rather than single pieces of evidence in isolation.

12.5 Retaining suitable records is your responsibility. The extent and nature of the records you will need to keep will depend upon your personal circumstances.

Home

12.6 When considering whether you had a home in the UK or abroad, HMRC would look for evidence to establish your presence in a particular home and whether or not a home existed. The following information would help establish the facts.

- General overheads - utility bills which may demonstrate that you have been present in that home, for example, telephone bills or energy bills, which demonstrate usage commensurate with living in the property.
- TV/satellite/cable subscriptions.
- Local parking permits.
- Membership of clubs, for example, sports, health or social clubs.
- Mobile phone usage and bills pointing to your presence in a country.

Record keeping

- Lifestyle purchases pointing to you spending time in your home, for example, food, flowers and meals out.
- Presence of your spouse, partner or children.
- Engagement of domestic staff or an increase in their hours.
- Home security arrangements.
- Increases in maintenance costs or the frequency of maintenance, for example your house cleaned more frequently.
- Insurance documents relating to that home.
- SORN notification that a vehicle in the UK is 'off road.'
- Re-directed mail requests.
- The address to which you have personal post sent.
- The address to which your driving licence is registered.
- Bank accounts and credit cards linked to your address and statements which show payments made to utility companies.
- Evidence of local municipal taxes being paid.
- Registration, at your address, with local medical practitioners.
- What private medical insurance cover you have, is it an international policy?
- Credit card and bank statements which indicate the pattern and place where your expenditure takes place.

12.7 The above list is not exhaustive; no one piece of evidence will demonstrate the existence of your UK or overseas home with the requisite time spent there. HMRC will consider the weight and quality of all the evidence as, taken together, a number of pieces of evidence may be sufficiently strong to demonstrate your presence in a particular home.

Holiday home becomes your home

12.8 Where your home has changed from a holiday home to your 'permanent' home, for the purposes of the SRT the change in occupation could be evidenced by, amongst other things:

- utility bills which may show an increase in usage,
- changes you have notified to
 - local municipal authorities, or
 - the company providing your buildings and contents insurance.

Working hours and location of work done

12.9 The [SRT Guidance Note](#) (RDR3), section 1, explains how your residence status may be determined by the automatic tests relating to working full-time in the UK or overseas. If you use these tests to determine your residence status you should keep information and records relating to:

- the split in your working life between the UK and overseas, particularly noting days where you worked (including training, being on stand-by and travelling) for more or less than three hours

Record keeping

- the nature and duration of your work activities - a work diary/calendar or timesheet is likely to indicate this. You may find that it would be beneficial to ensure your diary is sufficiently detailed, maybe reflecting hours worked and the nature of your work, for example reviewing and responding to emails, meetings, or filing travel claims
- breaks you had from working, for example between jobs, and why
- your periods of annual, sick or parenting leave
- time you spend visiting dependent children (those under the age of 18) when they are in the UK
- time you had to spend in the UK owing to exceptional circumstances,
 - what your circumstances were
 - what you did to mitigate them where that was possible, for example making alternative travel arrangements
- your contracts of employment, and documentation/communications which relate to these, particularly to curtailment or extension of these or other changes to them.

The sufficient ties test

12.10 You will find detailed information about the sufficient ties test and definitions of the different ties in sections 1 and 2 of the [SRT Guidance Note](#) (RDR3). Where you have connections to the UK, such as family, accommodation, work or time spent here, you should keep information and records that will allow you to work out:

- in which countries you have spent your days and midnights, for example;
 - your travel details
 - booking information
 - tickets, and boarding cards
- if you left the UK to live or work abroad;
 - the date you left the UK
 - visa or work permit applications, etc. if you had to make them
 - contracts of employment
- if you come to live or work in the UK;
 - the date you arrive here
 - visa or work permit applications
 - documentation relating to you taking up employment or ceasing your previous employment
- when you were present at your home or homes, or other available accommodation
- how long you owned or rent those homes, for example when you purchased, sold or leased those homes
- the time your home was unavailable for your use, for example because it was rented out.

Record keeping

What records should I keep for domicile purposes?

12.11 For [domicile](#) purposes, particularly where your domicile changes from one in the UK, you may need to provide strong evidence that you intend to live in another country permanently or indefinitely. The following factors will be relevant, although this list is not exhaustive:

- your intentions;
- your permanent residence;
- your business interests;
- your social and family interests;
- your ownership of property;
- the form of any Will you have made.

You should therefore [maintain records](#) that will allow you to satisfy HMRC of the centre of your interests in the above areas, should we [enquire](#) into your domicile status.

What financial records should I keep?

12.12 There is guidance on [record keeping](#) on the HMRC website.

This gives you information you should keep in relation to:

- employment income
- expenses
- benefits received
- pensions
- interest, dividends or other income from UK savings, investments or trusts
- income from property
- foreign income and gains
- income from employee share schemes or share-related benefits
- capital gains.

12.13 You may also need to keep information in relation to:

- foreign investment income and evidence of foreign tax payments
- income and gains from employment-related share schemes, for example details of the acquisition, terms and realisation of shares to show where the duties that relate to their award were performed.

What records should I keep if I work in the UK and overseas?

12.14 If your employment duties are carried out partly in the UK and partly abroad you need to keep sufficient details, for example those days you spend working in the UK and those working abroad, to allow you to:

- identify [earnings](#) you have received for [duties carried out](#) in the UK
- make claims under relevant [double taxation agreements](#).

Record keeping

12.15 Where you have associated employments, HMRC is likely to test the arrangements and may wish to examine records referring to your location when carrying out duties of the overseas employment. Some examples of records you may need are listed below.

- Business diaries which show where duties were performed and the nature of duties performed.
- Business emails.
- Time-sheets.
- Expenses claims and receipts for the reimbursement of expenses including travel costs incurred during an [overseas](#) visit.
- Travel itineraries.
- Boarding cards for flights in and out of the UK.
- Telephone records.

12.16 Long-term incentive plans and share-related rewards may be earned over a period exceeding one [tax year](#) and you should keep sufficiently accurate records of your daily location to enable a calculation of the UK proportion to be made.

What records should I keep if I use the remittance basis

12.17 You may need to maintain some quite detailed financial records if you use the [remittance basis of taxation](#). In addition to records listed at [paragraph 12.12](#) you may need to keep the information listed below in relation to different types of [remittances](#).

- Payments made directly to HMRC from foreign bank accounts – supporting bank statements and a copy of the cheque.
- Cash you withdraw from your foreign bank account whilst overseas and bring back with you when you return to the UK.
- Payment of UK credit card bills, for example, from funds in a foreign bank account originating from overseas income and gains.
- Payments on an overseas credit card for purchases made in the UK.
- Transfers of your foreign income and gains from your offshore bank account to your UK bank account.
- Assets you bring to the UK paid for from overseas income and gains.
- Payments made from outside the UK with your foreign income and gains for a service provided to you or any other [relevant person](#) in the UK.
- Assets you receive in the UK from another UK resident, in return for money or assets representing your foreign income and gains being transferred to him or her overseas.
- Gifts of your foreign income and gains, which are later remitted to the UK by the recipient when you, or another relevant person, benefit.

Record keeping

- Loans of some of your foreign gains to a company you control overseas, or a settlement in an offshore trust. Information about when, or if, the company or trustees then bring the money to the UK.
- Return air fares from overseas origins to a UK airport, paid for using foreign income.
- Mortgage repayments to offshore banks to buy property in the UK.
- The value of connected operations; for example loaning a friend your overseas holiday home (purchased with foreign income) in exchange for them lending you their UK holiday home.
- For investments made in UK businesses under the business investment relief provisions
 - how much you invested
 - when you brought your investment to UK,
 - when and in which company you invested
 - if a chargeable event occurs, the actions you took (e.g. if you did not go ahead with your investment, the amount you took back overseas)
 - evidence that the company in which you are investing meets, and continues to meet, relevant conditions
- For sales of exempt assets
 - evidence that you have met all the conditions attached to the relief
 - date and evidence of sale
 - date proceeds taken overseas or details of qualifying investment made
 - that the sale was not to a relevant person

12.18 You will find more detailed information on what constitutes a remittance in [RDRM33000](#).

Contact Information

Contact us

We have included links to appropriate HMRC contacts in each section of this guidance. Those links are also listed below for reference.

Crown servants

Follow [this link](#) for Income Tax and Capital Gains Tax enquiries if you are a Crown servant living abroad, for example a civil servant, a member of the armed forces or a diplomat.

[This link](#) will take you to the section on Crown servants in this guidance.

Foreign entertainers and sportspersons

Follow [this link](#) for information about the UK withholding tax system for entertainers and sportspersons who are not UK resident, including contact details for HMRC Foreign Entertainers Unit.

[This link](#) will take you to the section on foreign entertainers and sportspersons in this guidance.

Leaving the UK

Follow [this link](#) if you have left or are about to leave the UK. You must tell HMRC. If you are not required to fill in a Self Assessment tax return, you will have to complete form P85 Leaving the UK - getting your tax right.

National Insurance enquiries for former UK residents

Follow [this link](#) for enquiries about National Insurance and health care provisions if you are under State Pension age and living abroad.

[This link](#) will take you to the section on National Insurance in this guidance.

Non-UK employees coming to the UK

Follow [this link](#) if you are working for a multi-national organisation and are seconded or assigned to work in the UK for up to three years. This helpline does not deal with UK Nationals leaving the UK to work abroad. If you are a UK National leaving the UK to work abroad [contact the Taxes Helpline](#).

Non-resident landlords

Follow [this link](#) if you are a non-resident landlord, for webpage information about the Non-resident Landlords Scheme and HMRC contact details for enquiries.

[This link](#) will take you to the section on non-resident landlords in this guidance.

Contact Information

Payment Helpline for non-UK residents

Follow [this link](#) if you are living abroad permanently and have a payment enquiry about a debt owed to HMRC.

Seafarers' Helpline

Follow [this link](#) if you need to contact us for advice about the Seafarers' Earnings Deduction.

Self Assessment tax returns

Follow [this link](#) for the Self Assessment Helpline details and web guidance on completing your tax return, correcting mistakes or making repayment claims.

Self Assessment forms ordering

Follow [this link](#) if you need to order extra pages for the main tax return.

Tax enquiries for UK resident individuals, pensioners and employees

Follow [this link](#) to the Taxes Helpline for enquiries about Income Tax if you are an individual, pensioner or employee. It includes advice on how to claim a refund if you think you have paid too much tax on your employment or pension income.

Tax enquiries for UK resident self-employed individuals

Follow [this link](#) to the Taxes Helpline for enquiries relating to Income Tax if you are self-employed. It includes advice about how to register with HMRC when you start a business, basic information on Self-Assessment, National Insurance, VAT and record keeping.

Tax enquiries for non-UK residents

Follow [this link](#) if you live or work abroad and have an enquiry about UK Income Tax or Capital Gains Tax.

Glossary

Arising basis

If you are UK resident you are normally taxed on the 'arising basis'. This means you will pay UK tax on:

- income which arises in the UK
- income which arises outside the UK
- gains which accrue on the disposal of your assets wherever they are in the world.

Beneficial owner

The beneficial owner is the person for whose benefit the property is held. It is distinguished from the person in whose name the property is held (the legal owner). For more detail, see [TSEM9130](#).

Cross-border trips

These are trips that involve crossing an international boundary at sea, in the air or on land.

Crown servants

A Crown servant is someone who holds an office or employment under the Crown such as a member of the UK armed forces, a civil servant or a diplomat. It does not include all public servants, for example doctors and nurses, who work for their local NHS Trust, or teachers who work for the Local Education Authority. Nor does it include employees of government agencies and non-departmental public bodies.

European Economic Area (EEA)

The EEA countries are:

- Member States of the European Union (including Britain)
- Iceland, Liechtenstein and Norway.

Foreign (non-UK) employer

A foreign employer is:

- an individual
- partnership, or
- body of persons

resident outside the UK and not resident in the UK.

Contact Information

Foreign income and foreign chargeable gains (foreign income and gains)

Foreign income and gains are income and gains that arise outside of the UK; that is, these are your non-UK income and gains.

HMRC

HM Revenue & Customs.

Home

For the purpose of the [SRT](#) we consider that a person's home is a place that a reasonable onlooker with knowledge of the material facts would regard as that person's home. More information can be found in Annex A of the [SRT Guidance Note](#) (RDR3).

Liable to UK tax

When you are liable to UK tax it means that you will pay UK tax on the income, after any allowances and other tax reliefs to which you are entitled.

Ordinarily resident/ordinary residence

'Ordinary residence' is different from 'residence'. It is not defined in tax law and is based on cases heard by the Courts. If you are resident in the UK year after year, this would indicate that you normally live here and you are therefore 'ordinarily resident' here.

You will find detailed information on ordinary residence and how it affected the way you are taxed in the UK for the tax years before 2013-14 in [HMRC6](#) parts 3, 6 and 7.

Offshore

The term offshore refers to anywhere outside the UK. The UK comprises England, Wales, Scotland and Northern Ireland, including the [UK territorial sea](#). The Isle of Man and the Channel Islands are not part of the UK.

Overseas

Overseas refers to anywhere outside the UK. The UK comprises England, Wales, Scotland and Northern Ireland, including the [UK territorial sea](#). The Isle of Man and the Channel Islands are not part of the UK.

Overseas part of the year

Under the [split year treatment](#), the overseas part of a tax year is the part of the tax year when you are charged to UK tax as if you were not UK resident.

Partner

Your spouse, civil partner or a person you live with as a spouse or civil partner.

Contact Information

Relevant foreign income

Relevant foreign income is any foreign income which arises from a source outside the UK and is not from an employment. It includes:

- dividends from foreign companies
- profits of a property business (rental income)
- the profits of a trade, profession or vocation which is carried out wholly outside the UK
- pensions and annuities
- interest
- royalties.

Relevant individual

A relevant individual is:

- you
- your [partner](#)
- your children or grandchildren who are under 18 years of age
- your partner's children or grandchildren who are under 18 years of age.

Relevant person

A relevant person is:

- you
- your [partner](#)
- your children or grandchildren who are under 18 years of age
- your partner's children or grandchildren who are under 18 years of age
- trustees when you are, or another relevant person is, a beneficiary of the trust
- close companies when you are, or another relevant person is a participator in the close company – for example as shareholders
- a company which is a 51% subsidiary of a close company in which you are, or another relevant person is, a participator.

Remuneration

Remuneration is what you are paid for your work or services.

Split year treatment

Under the [statutory residence test](#), you are either UK resident or not UK resident for a full [tax year](#) and at all times for that tax year. However, if during a year you either leave the UK to live or work abroad or come from abroad to live or work in the UK you may be eligible for the tax year to be split into two parts:

- a [UK part](#) in which you are charged to UK tax as a UK resident; and

Contact Information

- an [overseas part](#) in which, for most purposes, you are charged to UK tax as someone who is not UK resident.

For more detail see section 5 of the [SRT Guidance Note](#) (RDR3).

Tax year

A UK tax year starts on 6 April and ends on 5 April the following year.

Treaty resident

You are Treaty resident in another country at any time if, at the time, you fall to be regarded as resident in that country for the purposes of [double taxation arrangements](#) having effect at the time.

UK territorial sea

The UK territorial seas are the waters within 12 nautical miles of the shores of England, Wales, Scotland and Northern Ireland.

UK continental shelf

The UK sector of the continental shelf is made up of those areas of the sea bed and subsoil beyond the [territorial sea](#) over which the UK exercises sovereign rights of exploration and exploitation of natural resources.

UK part of the year

Under the [split year treatment](#), the UK part of a tax year is the part of the tax year when you are charged to UK tax as a UK resident.