



In doing business in the UK, you will also need to be aware of, and plan for, the personal tax that you will be subject to. The UK tax system requires some but not all individuals to submit an annual self-assessment return and make payment on account.

## What makes you resident?

To be liable to pay income tax, you would be either tax resident in the UK or have a source of income in the UK. The Statutory Residence Test determines whether you are resident in the UK or not. There are three parts to this test:

- The automatic overseas tests
- The automatic UK tests
- The sufficient ties test

Residency and domicile depend on a person's individual circumstances and can be complex. Getting advice is often necessary.

## Income tax

### If you are not resident...

Individuals who are not resident in the UK are only subject to UK income tax on their UK sourced income.

### If you are resident...

UK residents are liable to UK income tax on their worldwide income.

### If you are resident but not domiciled in the UK...

For individuals who are not domiciled in the UK (i.e. do not have their permanent home in the UK) this rule can be modified so that their non-UK income is taxed in the UK on the 'remittance basis'. This means that you only pay UK tax on the income or gains you bring to the UK. Non-UK domiciled individuals who are being taxed on this basis will not have the benefit of the personal allowance and the annual exempt amount for capital gains tax purposes (see below).

Once an individual has been resident for more than seven of the previous nine years, an annual remittance basis charge will apply, starting from £30,000 per annum.

From 6 April 2017 anyone who has been resident in the UK for 15 or more out of the previous 20 tax years will be deemed to be UK domiciled for Income Tax, Capital Gains Tax and Inheritance Tax purposes.

## Income tax allowances and rates

UK residents and certain non-residents are entitled to personal allowances, although these are restricted/removed for income above £100,000.

The personal allowance is deducted from taxable income before the tax charge is calculated. The standard personal allowance is £11,000, and the rates vary between 20% and 45%.

To see the rates go to: [www.ks.co.uk/taxfacts](http://www.ks.co.uk/taxfacts)

## Capital Gains Tax (CGT)

For non-resident individuals, there is generally no CGT liability. The one exception to this is for the disposal of UK residential property. HMRC must be notified of the sale within 30 days of completion through the submission of a tax return.

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CGT (or corporation tax for companies) is a tax on the profit when a business sells an asset that has increased in value. This applies to assets used by a UK branch or agency.

For residents, CGT starts at a basic rate of 10%, rising to 20%.

## Inheritance Tax (IHT)

Inheritance Tax is charged on the transfer of UK assets by anyone, and non-UK assets if the transferor was domiciled in the UK at the time of the transfer.

A person is considered domiciled for inheritance tax purposes if they have been resident in the UK for at least 17 out of the previous 20 tax years (reducing to 15 out of 20 years from April 2017).

Inheritance Tax is charged from death at a rate of 40% above the nil rate band, which for an individual is currently £325,000. The lifetime rate is 20%.

There are some generous reliefs from IHT for certain types of business and agricultural property.

## Property Taxes

### Stamp Duty Land Tax (SDLT)

If you buy a property or land over a certain price in the UK, you must pay SDLT. The current threshold is £125,000 for residential and £150,000 for non-residential purposes.

Rates vary depending on whether the property or land is for residential (starting from 2%) or non-residential (starting from 1%) purposes.

You must notify HMRC by submitting a SDLT return, even if you have not reached the threshold, and pay the tax within 30 days of completion.

You may be eligible for a reduction in tax under certain circumstances, e.g. if you buy more than one property.

### Income tax on non-resident landlords

All landlords need to pay tax on their rental income. As soon as you start renting your property, you must notify HMRC.

The tax you will pay will be based on your income tax rate and will be on the profit you make from renting after deductions for 'allowable expenses' (costs associated to the day to day running of the property). This is payable through Self-Assessment, or your letting agent or tenant can deduct this from their payment.

If you are running a property business, you will also have to pay Class 2 National Insurance.

### Annual Tax on Enveloped Dwellings (ATED)

The ATED is an annual tax payable by companies (or other collective investment vehicles) that own residential property with a value of more than £1 million. In this case, companies are required to complete an ATED 1 form.

HMRC uses a banding system based on the value of the property to calculate how much tax is owed, e.g. for property valued between £1 million and £2 million, the annual charge is £7,000.

Reliefs are available.

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