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Leaving the UK? A tax guide

Residence and domicile can be a complex area. Here we answer questions and highlight a few of the factors you might need to consider.

Where will I be tax resident?

Your personal tax residency is determined using a 'Statutory Residence Test,' which looks at the number of days you spend in the UK along with other factors, such as where you work, where your family lives and what accommodation you have in the UK.

The Statutory Residence Test can be complex and HM Revenue & Customs (HMRC) can require you to maintain detailed records of where you were living and working during the tax year.

How am I treated for tax in my year of leaving?

If you meet certain conditions then your tax year of departure will be split into a UK part and an overseas part. You will then be taxed differently on these two separate parts of the year.

However, the tax return still reports all UK income and gains that you receive for the full year. It's likely that you will also need to file an overseas tax return for your overseas tax year of arrival.

Will I need to file a tax return in the UK if I become non-UK resident?

You will still need to file a UK tax return if you have UK taxable income, such as income from investments or property or if you had substantive days spent working in the UK.

Larking Gowen can help you decide if you need to file a tax return and, if not, liaise with HMRC to make sure they don't charge a penalty for not filing.

When is the deadline?

If filing a non-resident tax return yourself, you'll need to send HMRC a paper form by 31 October following the end of the tax year. This is because HMRC's online forms don't include non-residence pages so the online deadline doesn't apply.

Larking Gowen uses specialist software so that we can file a tax return for you by the usual online deadline of 31 January following the end of the tax year.

What if I'm paying tax both in the UK and overseas?

Most countries have a 'Double Tax Treaty' to make sure you don't pay tax in both jurisdictions. However, sometimes you may have to pay a little bit of tax in one country, and a top-up in the other country. Clear communication between each jurisdiction is key and our international tax team at Larking Gowen can help by speaking directly to your overseas tax advisor or recommending one for you.

How we can help

For more information, please speak to your regular contact at Larking Gowen or our international private client team. If you're coming to the UK, see our flyer 'Coming to the UK? A tax guide.'

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Am I still entitled to my tax-free personal allowance?

Yes, if you're a British citizen or national of another EEA member state and your taxable income doesn't exceed £100,000. You may also be entitled to the personal allowance under certain tax treaties, or entitled to a partial personal allowance if your income exceeds £100,000.

Can I continue paying into an ISA?

You can keep your existing ISA but payments into it must stop when you become non-UK resident. You can restart payments when you return to the UK. Take care as ISA income may be taxable in some countries.

What about contributing to my pensions?

Your options will depend on the type of pension(s) you have. In the first instance, we'd suggest you contact your pension provider to let them know you're moving abroad, but your UK pensions will likely remain active in terms of their investments.

If you're a non-UK resident though, you will only receive UK tax relief on annual contributions of up to £3,600, unless you have UK net relevant earnings which include employment and trading income subject to UK tax.

I've been told that, as a non-UK resident, I can sell my assets without paying any tax. Is that true?

Possibly not. If you leave the UK and return within broadly five years then you may have to pay tax on any assets you owned before you left the UK and sold when you were non-resident. The tax is payable in the year that you return to the UK.

Additionally, from 6 April 2015, any non-UK resident is subject to capital gains tax if they sell a UK residential property. You must submit a special tax return within just 60 days of the sale and, if there's any tax due, it must be paid by then too.

It's important to meet this 60-day deadline because HMRC can charge penalties for a late form, even if you submit your normal annual tax return on time and even if no tax is owed on the sale of the property (for example, because it was your main home).

Since 6 April 2019, non-UK residents have also been liable to capital gains tax on disposals of UK non-residential property, or land in the UK, or certain indirect disposals of these via the 60-day system as well.

What happens if I rent out a UK property while I'm non-UK resident?

The rental profit needs to be reported on a tax return if your total taxable income exceeds certain limits. Expenses can be deducted, although there are restrictions on the deduction of mortgage interest.

If the property is managed by an agent, then the agent will deduct basic rate tax before they pay any rental income to you, otherwise your tenant should deduct the tax if you don't use an agent. You can choose for them not to do this and instead pay the tax with your annual tax return. This can delay the tax payment by up to 21 months! It also makes sure you don't pay too much tax up-front in cases where you have high rental expenses.

At Larking Gowen, we can advise you on the restrictions to mortgage interest deductions and complete the required forms to delay the payment of tax.

Do I need to make or review my will?

It's always sensible to have a will in place and review it regularly. In general, you'll remain UK domiciled and therefore subject to UK inheritance tax on all your worldwide assets. To acquire a different domicile you need to prove to HMRC that your entire way of life has moved to the new country and you intend to live there until (as far as possible) the end of your days.

There are, however, proposed changes surrounding inheritance tax and how this interacts with tax residence and domicile. Please speak to your Larking Gowen tax advisor for further information.

Do I need to tell HMRC I'm leaving the UK?

If you're intending to file an annual tax return for the year you leave then you only need to give HMRC your new address. You can do this by telephone, post or by logging into your online account. If you don't intend to file an annual tax return then you should also complete a form P85 to claim any tax refund you're owed.

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