

# Moving from the UK – a tax guide to working abroad

**Making Mobility Easy**  
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# Welcome to the UK tax guide for individuals going on international assignment abroad



**Victoria Robinson**  
UK markets leader, PwC Global  
Mobility Services

It can be daunting going to work in a foreign country on an international assignment. Understanding how tax and social security are affected by making such a move can add to the list of complexities you have to deal with.

Our Global Mobility Services team at PwC has been advising UK nationals on overseas assignment for over 40 years, helping many thousands of international assignees understand what they need to do.

The purpose of this guide is to share our experience with you, in the form of some frequently asked questions and answers, to help you when you make your international move.

The advice contained in this document reflects UK tax law and the reporting position for the 2019/20 tax year starting on 6 April 2019 (unless indicated otherwise). As you will be aware, in 2016 the UK voted to leave the EU, with the Prime Minister triggering 'Article 50' in 2017. However, in light of the recent uncertainty regarding the UK's departure arrangements, it is difficult at this stage to comment upon the change this will have to current cross-border circumstances. The timing of the UK's formal exit is therefore being closely monitored with appropriate guidance being offered closer to the time of departure.

Please do ask for advice before you act on any of the information contained in this guide to make sure you have the most current data. PwC is part of a network of firms, with offices in over 154 countries. Our advice spans all jurisdictions, so if you would like to find out more please contact me or your usual PwC adviser. We also have a number of Technical Specialists who would be happy to assist, and you can find their contact details in section 9 of document.

You can also find further information on UK tax rates, allowances and Budget news at [thesuite.pwc.com](https://thesuite.pwc.com)

We hope you find this guide useful and informative.

This guide does not cover the tax and social security implications of self-employed individuals or partnerships, for which there are different rules.

# 1. Determining your UK tax liability (1/2)

Under UK law, spouses and civil partners are generally treated entirely separately for tax purposes. This means that the tax residence position of your spouse or civil partner needs to be considered based on his or her own facts and circumstances. However, in some cases it can be influenced by your own tax residence position.

## 1.1 What impact will my overseas assignment have on my UK tax position?

This depends upon the length and timing of your assignment, any return visits you make to the UK and what personal ties you maintain with the UK during your assignment. These factors will determine whether you are considered resident or non-resident for tax purposes in the UK during your assignment. The taxation of residents and non-residents is very different.

## 1.2 How do I become non-resident for UK tax purposes?

Your residence position is determined by a statutory residence test (please see Appendix III).

Many people will be regarded as UK resident during the tax year that they leave the UK. In certain situations it is possible to split this resident tax year into a UK part and an overseas part. If you are able to do this you will be taxed as if you were non-resident for the overseas part of the tax year. (see Appendix IV for greater detail on how to split a tax year).

There are a number of ways to achieve non-resident status. You need to meet the following conditions to be considered non resident under the full time working overseas test:

- You average at least a 35 hour working week overseas over the course of the tax year and;
- Visits to the UK during your overseas assignment do not exceed 90 residence days or 30 workdays back in the UK in a full tax year.
- There are no significant breaks in your employment. A break of more than 30 days is significant (subject to exceptions for certain annual, parenting and sick leave) and;

If you do not meet all these conditions you may still be able to achieve non-resident status but you will need to take specialist advice to check if this is possible.

## 1.3 How do I calculate whether I am averaging a 35 hour working week overseas?

The calculation is complex and needs to be undertaken using a formula provided in legislation. However, you may not need to do this calculation if it is clear that you are working sufficient overtime during the year such that a 35 hour average will be easily achieved. If you believe you will not work much overtime, or have a considerable amount of national/bank holidays then please seek professional advice in order to complete this calculation.

## 1.4 What is the difference between a residence day spent in the UK and a UK workday for SRT purposes?

A residence day is spent in the UK if you are here at midnight. A day of work for these purposes includes any type of work, including travel for work purposes, that lasts for more than 3 hours in the UK.

For split year purposes, you must pro-rate the 90 day and 30 day limits based on when you leave the UK.

## 1.5 How do I treat days of absence and holidays?

These days can affect the calculation which determines whether you are working full time overseas so you will need to keep a detailed calendar which records where you are each day and what you are doing (see below).

## 1.6 What records do I need to prove I am working full time overseas?

We recommend that records are kept that evidence the time you spend working overseas. Online calendars (Outlook, Gmail etc.), timesheets and detailed work diaries will all prove useful when supporting the claim that you were working full time overseas. You should also keep contracts of employment and other documentation/communications which relate to your time overseas. HMRC has been known to ask for information on the nature and duration of work activities and therefore you may wish to take a conservative approach and ensure your records of working time are sufficiently detailed, should HMRC ever enquire into your residence position.

## 1.7 What if I do not meet these conditions?

If there is any doubt about whether you will meet these conditions, and you also continue to maintain links to the UK (for example, your family is remaining in the UK while you are on assignment) your residence position will be more complex and you should take professional advice on it as necessary.

## 1.8 What happens if I do not become non-resident?

If your overseas assignment does not result in you being treated as non-resident, you will normally continue to be subject to UK tax on worldwide income. A UK tax liability will arise on many of your assignment-related payments, even if these are paid in the assignment location, such as housing and cost of living allowances. In some cases special tax reliefs are available for assignment-related payments. These are covered in question 1.9 below. Your UK employer will be required to continue operating Pay As You Earn (PAYE).

Since there may also be tax to pay in your assignment location, this may lead to double taxation and potential cash-flow implications. If you pay tax in your assignment location you should be able to claim a credit for the overseas taxes paid when calculating your UK tax liability (subject to limitations). The UK has an extensive network of double tax treaties with other countries.

# 1. Determining your UK tax liability (2/2)

## 1.8 What happens if I do not become non-resident? (cont'd)

One of the functions of these treaties is to prevent double taxation by allowing only one country to tax your earnings – usually this would be the UK. However, this provision does not always apply. For instance, it may not apply if you are working in another country for more than six months. In this case, you may be taxed in both the UK and in your assignment location and eligibility for tax credits and determination of taxation rights between the countries will need to be considered on a case-by-case basis.

## 1.9 Are any tax reliefs available for a tax resident on a short-term assignment?

If your assignment is not expected to last more than two years and is part of a continuing employment you may not be subject to UK tax on employer-provided accommodation, travel and subsistence relating to your assignment. If you are personally incurring these costs you may also be able to claim a deduction for such costs. Strictly, in all cases, this will only apply to your personal costs and does not apply to costs which are deemed to relate to your spouse or civil partner and children. Other tax reliefs which do not depend on continuing employment and the length of your assignment may be available, including:

- Employer reimbursement of your personal additional travel and subsistence costs of working overseas. This includes the cost of travel between the UK and the assignment location where the duties are being performed.
- For all but very short assignments (under 60 days) the reimbursed cost of your family visiting you.
- Overseas board and lodging costs but only where you take up a separate overseas employment.

## 1.10 How is the tax position of my spouse or civil partner affected by my overseas assignment?

Under UK law, spouses and civil partners are generally treated entirely separately for tax purposes. This means that the tax residence position of your spouse or civil partner needs to be considered based on his or her own facts and circumstances. In some cases it can be influenced by your own tax residence position. For instance, it is probable that your spouse or civil partner will remain tax resident, even if you are considered non-resident, if he or she does not accompany you on your overseas assignment. However if you are considered non-resident and your non-working spouse or civil partner accompanies you on your assignment then he or she will generally (although not in all cases) be treated as having broken tax residence at the date of departure, even though he or she is not in full-time employment outside the UK.

## 1.11 Does it matter if I am domiciled outside the UK?

The position for someone who is not domiciled in the UK is likely to be more complex as there are additional rules that can apply to foreign domiciliaries. For example, offshore investment income, if remitted to the UK while you are regarded as temporarily non-resident, will potentially be taxable upon your return to the UK. We recommend you take further UK tax advice if you are domiciled outside the UK.

### Key considerations

Review the split of assets with your spouse or civil partner and consider changes to ensure that both your personal tax allowances are being fully utilised.



# 2. The taxation of non-residents

## (1/4)

Each source of personal income needs to be considered to establish your UK tax position. Some sources of investment income can effectively be received free of UK tax or at a reduced tax rate when you are non-resident.

### 2.1 What are the main implications of becoming non-resident in the UK for tax purposes?

Becoming non-resident will generally mean that you only remain liable to UK tax on UK source income. This applies from the day you meet the conditions to be taxed as non-resident to the day you cease to meet those conditions. Normally, **provided that any employment duties you perform in the UK are only incidental to your main duties**, you will not have to pay UK tax on employment income and benefits earned after you have broken UK tax residence. This applies even if you are still paid from the UK. (Examples of incidental duties include training, liaison with UK colleagues to report on projects or receive instructions).

Your UK tax liability on income arising when you are considered non-resident is normally restricted to:

- Earnings from an employment previously carried on while resident in the UK, even if they are received after you have left the UK. A typical example is a bonus paid after you leave the UK which was earned before you left. Please note that depending upon the PAYE coding that is in place for you, any tax deductions applied at source at the time of payment may not represent your final liability.
- Some payments received on the cessation of your employment where termination occurs during your overseas assignment.
- Stock options exercised during your assignment that may have been earned by reference to UK service – this is covered in more detail in section 2.7.
- Other awards of shares that may have been earned by reference to UK service.
- Tax on UK source personal income, such as interest on UK bank accounts, UK dividends and rental income from UK properties.
- Capital gains tax (CGT) which arises on the sale of some assets. In particular, if you are temporarily non-resident for CGT purposes (broadly, if you are non-UK resident for five years or less) any gains realised during the absence on assets held before you left the UK are likely to be charged to tax in the year of your return (see section 2.6 below). Whether you are liable is entirely dependent on your personal circumstances and we recommend you take further advice if you are in this position.
- Disposals of UK residential property (reliefs are available but again, depend upon each person's facts and circumstances).

### 2.2 Am I still entitled to personal tax allowances?

Yes, if you are a UK, or European Economic Area (EEA) national (Appendix II) or a resident of certain countries with which the UK has a double tax treaty (Appendix I). This is provided that your taxable income does not exceed a prescribed level, currently set at £100,000, after which a phase out applies (reduced by £1 for every £2 that an individual's income exceeds £100,000). Where personal tax allowances are granted under a tax treaty, they may not be available if the only UK income you are receiving is interest or dividends. Please see section 2.4 below for further details.

In the year of departure from the UK, your personal tax allowances will normally be fully utilised against earnings arising in the pre-departure period which remain fully taxable. However, because of the way in which relief for these personal tax allowances is given, if all of your tax is collected through the PAYE system and you have no benefits-in-kind or other taxable income, you would normally find that a small refund may be due for the year of your departure because of unutilised personal tax allowances.

### 2.3 Can I continue to participate in an Individual Savings Account (ISA)?

ISAs are available to individuals who are resident in the UK for tax purposes and over 18 years old. If you become non-resident you may retain existing ISA investments, with the UK tax advantages, but you may not invest in ISAs when you are considered non-resident. Income from an ISA may be subject to tax in your assignment location.

### 2.4 How is my other personal income affected during my assignment?

Each source of personal income needs to be considered to establish your UK tax position. Some sources of investment income can effectively be received tax free or at a reduced tax rate when you are non-resident. However, you need to consider your overall tax position as the interaction of the rules can be complex. Therefore, this is an area where advice on your own personal circumstances is needed. This will depend on the level of investment income you receive from each source. The main sources of personal income are broadly taxed as follows:

**UK interest:** There is no taxation of UK bank interest at source. In addition, a 'personal savings allowance' is applicable, which means that some or all of your bank and building society interest may be tax free, depending on the amount of interest payable and the level of your other sources of income. Please contact us for further details.

**UK dividends:** A tax free 'dividend allowance' applies which from April 2018 is set at £2,000 per year. Dividends are also taxed at different rates from other income. Please contact us for further details.

**Rental income:** Any profit which arises from renting UK property will continue to be taxable in the UK. We cover this in more detail in section 3.

# 2. The taxation of non-residents

## (2/4)

In a complete UK tax year of non-residence, a restriction operates to limit your liability to UK income tax. Your tax liability is the lesser of:

- UK tax (if any) deducted at source from certain investment income, plus your UK tax liability on any other UK source income calculated without any claim to tax-free personal allowances.
- Your UK tax liability on all UK source income after claiming tax-free personal allowances.

It follows that if you have significant UK source investment income and little other UK source income (e.g. rental income) the first alternative will usually result in a lower UK tax liability.

### Key considerations

Carefully review your personal finances to establish the UK and foreign tax implications of your assignment.

If UK residence is broken, consider the net impact of moving funds offshore to eliminate UK tax.

Bear in mind that while abroad you may have to pay foreign tax on UK and offshore investments, including on UK investments that are tax-exempt in the UK.

### 2.5 Are there significant advantages in moving my personal investments outside the UK?

Investment income received from assets based outside the UK is not taxable when you are considered non-resident. Special rules apply in the tax year that you return to the UK and advice should be sought before returning to the UK to effectively manage your overall tax position.

There may be UK tax advantages of moving your investments outside the UK, but you need to consider your personal investment strategy, the tax treatment overseas and any anti-avoidance legislation before taking this action. For example, if a tax liability arises in your assignment location on personal income then reducing your UK tax liability may have no incremental tax impact.

You also need to consider any tax (e.g. capital gains tax) and transaction costs of moving your investments outside the UK and any exchange rate risk. In addition, there may be disclosure obligations for offshore organisations paying out investment income/gains, for example under initiatives such as Tax Information Exchange Agreements and the OECD Common Reporting Standard.

**Although there may be significant UK tax advantages of moving your investments outside the UK, you need to consider your personal investment strategy and the tax treatment overseas before taking this action.**

### 2.6 What are the implications if I make capital gains while non-resident?

Normally, UK capital gains tax is only applicable to individuals who are tax resident in the UK. However, you may be liable to UK capital gains tax on disposals of residential property while you are non-resident. Please see paragraph 3.2 below for further details. More generally, the application of the capital gains tax regime is a complex area. If you are subject

capital gains tax regime is a complex area. If you are subject to temporary non-residence rules (typically if you return to the UK five or fewer years after your departure) gains made during your period of non-residence may be taxable in the tax year of your return to the UK. These rules are explained in greater detail in section 2.11.

### 2.7 Are there any tax implications for my other personal income?

If you leave the UK and become non-resident then certain types of personal income paid to you while you are non-resident could become taxable on your return to the UK.

If you were UK tax resident at any time in any four of the seven tax years before leaving the UK, certain income realised during complete UK tax years of non-residence could be taxable if you become resident in the UK within 5 or fewer tax years of departure. Please see section 2.13 for further details.

### 2.8 How will my income from share plans be treated?

The UK tax treatment of employee share related income is complex; as well as domestic rules, you may also need to consider assignment location taxation. So you should take specific advice if you are participating in a company share plan and you already have awards of shares that have not yet vested, or share options that have been granted, but not yet exercised. In the UK much will depend on whether or not the plan is tax qualifying for UK tax purposes. The UK tax treatment of each plan can be different and specific advice should always be sought, as the position may also be impacted by your tax residence status in the UK while you are abroad.

If you receive income from awards over shares while you are on assignment, or grants of share options, these may be taxed in the UK, even if awarded during a period of non-UK tax residence.

### Key considerations

There are opportunities to manage capital gains tax liabilities or achieve cash-flow benefits relating to the timing of payment of tax. If you are planning to realise any capital gains while non-resident, consult your PwC adviser about potential UK liabilities, foreign liabilities and ways to reduce these.

# 2. The taxation of non-residents

## (3/4)

It may also be necessary to consider the tax position in the location of your assignment and your employers policy on tax equalisation to determine the amount of tax you will ultimately have to pay in relation to share income.

### 2.9 Will any be taxed in the same way? other stock-based income I receive from my employment

Similar income tax rules apply for other stock based income (e.g. company share savings plans). We strongly recommend that you take specific professional advice regarding the way in which any award will be taxed.

**Where contributions to a UK registered plan will continue after departure from the UK, generally it will be prudent to take advice regarding the overall efficiency of continuing these contributions. The contributions you make may not be tax-deductible in the host location and employer contributions may be taxable. There may be more tax-effective pension strategies available.**

### 2.10 Can I continue to participate in a UK personal pension plan or a stakeholder pension plan?

Pension contributions can continue to be made each year to a UK registered scheme (subject to the scheme rules and/or agreement of the provider) once you have left the UK and become non-UK resident. If there are no UK taxable earnings, UK tax relief at basic rate on personal pension contributions may be available for up to five years, but only on contributions up to £3,600 gross (£2,880 net) to a UK personal pension scheme.

If you are paying into a Company Scheme then generally, it should be possible to obtain UK tax relief on contributions from UK taxed earnings if some work is done in the UK. In addition, you should be able to obtain UK tax relief on any trailing payments (e.g. a bonus) and also on share related income or any taxable termination payments. However, contributions to UK registered schemes remain within the Annual Allowance and Lifetime Allowance regime, regardless of whether or not you are regarded as tax resident in the UK. The Annual Allowance of £40,000 is currently reduced for individuals with income over £150,000 to a minimum of £10,000 per year for individuals income of £210,000 or more.

It is possible to carry forward any unused annual allowance from the three previous tax years.

For the carry forward to apply you must have been a member of a UK registered plan in that tax year, although it is possible to carry forward relief where you did not have any pension inputs in a particular UK tax year (for example, if contributions or benefit accruals were frozen). You should take advice to assist with calculating any carry forward that may be available to you.

If an Annual Allowance charge is due (where yours and your employer contributions into a pension scheme exceed the Annual Allowance), it is calculated by applying your marginal tax rate to the excess contributions above the Annual Allowance. Charges do not count as UK tax paid for the purposes of the UK's double tax treaties.

In certain circumstances, scheme members are allowed to ask pension schemes to pay any Annual Allowance charge where the charge is over £2,000. If the charge is £2,000 or less the member has to fund it personally. The provisions are complex so you should take further advice as needed if you anticipate Annual Allowance charges may be relevant to you.

The Lifetime Allowance applies to all benefits from UK Registered Pension Schemes, even if the pensionable service is performed outside the UK. However, in certain circumstances, it is possible to claim an international enhancement to the Lifetime Allowance. It is granted in respect of complete UK tax years for which you are considered not UK-resident and you satisfy the relevant conditions. The effect of the enhancement is to increase the level of your Lifetime Allowance meaning it could mean a larger tax efficient pension pot on retirement. You should take advice if you think this may apply to you.

### 2.11 Does it matter if I am non resident for a short period of time?

You will be a temporary non-resident if:

- You are solely UK resident in 4 out of the previous 7 tax years prior to the tax year of your departure and;
- You are non-resident for five or fewer years.

If you receive certain types of income or gains during this period of non-residence these could become taxable in the year of your return. You will not be able to utilise the protection of a double taxation agreement to protect you from UK tax in this situation. The types of income and gains that can be taxed under this rule are:

- Gains on the disposal of assets that you held prior to departure. There are some exceptions to this, most notably, where an asset has been both acquired and disposed of during complete years of non-residence
- Certain types foreign investment income which are remitted to the UK by a non-domiciled individual.
- Flexible drawdown from certain pension schemes.
- Dividends and loans issued to material participators in a close company.
- Relevant benefits from an employer financed retirement benefit scheme (EFRBS).
- Gains from certain life insurance policies.



## 2. The taxation of non-residents (4/4)

Given the complexity of this area of law we recommend that you take further professional advice if you anticipate realising any of the categories of income and gain set out above. We also recommend that you retain details of all relevant disposals/income receipts you make in case you need to evidence them at a later date.

If any other country also taxes any gain/income made it may be possible to claim credit relief against the UK tax liability. So it is important that you also retain evidence of any foreign tax paid, and the gain/income on which it was calculated.

### **2.12 During my time in the UK I claimed the remittance basis of taxation. Can I bring this remittance basis income into the UK after I leave?**

Remittance basis employment income will be taxable even if remitted to the UK when you are non-resident. In addition, there are complex rules that will apply if you remit any remittance basis investment income after you leave the UK which was earned while resident in the UK and you return here within a limited period. You should take advice if you believe this may apply to you.



# 3. Renting and selling your home (1/2)

## 3.1 What happens if remain UK resident and I sell my home?

If you live in a property which is your main home throughout the period of ownership, you are not normally taxed on any gain arising on its disposal. Neither can you claim relief for capital loss on sale. However, if you are not living property, the exemption from CGT main residence will only continue to apply to your property in certain specific circumstances.

If you acquire any interest in a second property (including simply taking out a lease) you would need to make a formal nomination for the relief to continue to apply to your first property. This nomination could therefore treat the property that was your home before you left the UK as residence during your absence (see below for additional conditions).

When you sell your property the proportion of the capital gain attributable to periods when you lived in the property, and any periods of deemed occupation (see below) is exempt. Any remaining gain may be taxed, but additional relief may also be available (see below).

If you have lived in a property as your main residence for any period the proportion of the gain attributable to the last 18 months of ownership, as well as periods of actual occupation, is exempt. This period of deemed occupation is likely to reduce to 9 months from 6 April 2020.

Assuming that you have no other residence qualifying for relief, periods of absence may be treated as periods of deemed occupation **if you reoccupy the property as your home in the following circumstances:**

- Any period of absence not exceeding three years or periods absence which together not exceed three years.
- Any period of absence throughout which you worked in an employment or office all the duties of which were performed outside the UK.
- Any period of absence not exceeding four years, or periods of absence which together did not exceed four years, throughout which you were prevented from residing in the house due to work or employment related reasons. This could be because of the location of your place of work or as a consequence of any condition reasonably imposed by your employer that required you to live elsewhere.
- In addition, if you let out your property, further relief may be available for the proportion of the gain that can be attributed to the letting. The relief is calculated as the lowest of the gain attributable to:
  - The period of the letting.
  - The proportion of the gain exempted by actual and deemed occupation rules.
  - £40,000.
- This letting relief may be withdrawn in certain circumstance.

### Key considerations

Take tax advice if you plan to buy or sell any property while on assignment and you own or occupy two or more properties, even where one property is in the UK and one is overseas.

You may also need to elect for your UK home to be treated as your main residence for UK CGT purposes whilst you are overseas for the exemptions to apply. Making an election may prevent HMRC disputing your entitlement to the absence exemptions while you are abroad. You should take further advice on this if you are retaining/buying a property in a different territory to the one you are resident in as there are restrictions regarding which property you may nominate as your main residence.

## 3.2 What happens if become non-UK resident and I sell my home?

UK CGT applies to certain disposals of UK residential property by non-UK resident persons.

More than one method is available to calculate whether there is a gain on disposal, but if you do not use the standard HMRC method you will need to make a special election to adopt one of the two other permitted approaches.

Subject to certain conditions, CGT relief may be available where the property was the main home of the non-resident.

A Non-Resident Capital Gains Tax (NRCGT) return must be filed within 30 days of the completion of the sale even if there is no tax liability.

Furthermore, a payment on account (advanced CGT payment) is also payable with the NRCGT return if you are not already within self-assessment (in which case, the CGT payment can be deferred to the self-assessment tax return payment deadline of 31 January following the end of the tax year of disposal).

## 3.3 What if I rent out my home during my assignment?

If you let your property whilst you are on assignment any rental profit may generate a UK tax liability because the income you receive is UK source. The tax on the profit is calculated using a cash basis. You can deduct a number of expenses (within certain specified limits) when determining the profit including attributable mortgage interest (see below), water rates, the cost of maintenance, repairs, insurance and management and any other service costs that you have to pay. From 6 April 2019, full mortgage interest relief is restricted to 25% of the expense incurred, with the remaining 75% only available as a basic rate tax credit. From 6 April 2020, this will change to 100% of the relief being given as a basic rate tax credit.

# 3. Renting and selling your home (2/2)

## Key considerations

Eliminate the deduction of tax at source on rental income by submitting a NRL1 form.

## 3.4 Why is my rental agent deducting tax from rental income?

Where a property is let by a landlord who goes abroad for six months or longer, tax at the basic rate must be withheld from the sums payable to your account by your UK agent. The tax should be paid over to HMRC on a quarterly basis. If there is no agent, the tenant has this obligation. However, you can also make a formal request through HMRC's form NRL1 to receive the rents in full and settle the tax liability yourself. HMRC is likely to agree to this arrangement if you have a satisfactory tax history and comply with your UK tax obligations during your assignment.



# 4. Tax administration

## 4.1 What forms do I need to send to HMRC when I go on assignment?

On leaving the UK for an overseas assignment, you may need to submit to HMRC a form P85. This is a departure questionnaire, which will enable HMRC to consider your residence position.

If it is clear that you will break tax residence and no tax will be due on your employment income, your employer can request a no tax (NT) PAYE coding notice from HMRC. This authorises your UK employer to cease PAYE deductions from payments made to you during your assignment. Aside from this, your UK taxes affairs are handled via your self-assessment tax return.

Depending upon your circumstances, you may also need to submit a form 64-8 (agent authorisation) and/or form SA1 (self-assessment registration). However, we will contact you directly with instructions on both forms if they are applicable for you.

## 4.2 If I am non-resident do I need to file a tax return?

If you have UK sources of taxable income or chargeable capital gains, you must complete a UK tax return in accordance with the regular filing deadlines (see 4.4 below).

However, you do not need to report non-taxable assignment income or gains. If you are non-resident for the whole tax year and have no UK sources of income or chargeable gains, advise HMRC of this in writing. If HMRC issues you with a tax return and you take no action, HMRC will automatically pursue you for late filing penalties even if you have no liability to tax.

## 4.3 What should I do if I need to file a tax return but haven't received one?

If you need to file a tax return to report taxable income or gains, but have not received one, you should tell your tax office by no later than 5 October following the tax year-end. If you do not manage this, to minimise any interest applying for late payment, make sure you pay the correct amount of tax due by the following 31 January.

## 4.4 By when must I submit my UK tax return and pay tax?

You should submit your return by 31 October following the tax year-end if you want HMRC to:

- Calculate your tax, and
- Code and deduct an underpayment with next year's PAYE, and
- Accept your tax return filed in paper form.

For tax returns filed online, the deadline is 31 January following the tax year end.

**Your tax return and self assessment must normally be filed by 31 January following the tax year-end (31 October if paper filing). There are automatic fixed penalties for late filing. In addition, to avoid interest and penalties applying for late payment, full payment of the correct amount of tax due must be made by 31 January following the end of the tax year. If you have significant income which is not taxed at source, for example UK rental income, you may also be required to make advance payments on account for the following year. The first instalment is due by 31 January and the second by the following 31 July.**



# 5. Social security contributions and benefits (1/2)

## 5.1 Will I continue to have to pay National Insurance contributions (NIC)?

Whether you continue to pay Class 1 NIC depends on your legal employer during your assignment, which country you are assigned to and the expected length of your assignment.

With most temporary assignments overseas you continue to be an employee of a UK company and are seconded to the overseas company. If this is the case, UK (Class 1) NIC may continue to be paid at least for a period of time. If you were to become a legal employee of an overseas company, you may become liable to local social security.

If you remain employed by a UK company the social security position depends on which country you are assigned to and which of the three categories below applies.

## 5.2 Transfers to European Economic Area (EEA) countries?

The current rule under the EU social security regulations is that you will be subject to the legislation of the EEA member state where you physically perform your work duties. However, you will continue to pay into the UK scheme if:

- Your secondment is expected to last no more than 24 months at the outset.
- Your secondment is no more than five years at the outset and the social security authorities in the assignment country agree.

In the above cases, a form A1 should be obtained by your employer from HMRC to certify continuing UK Class 1 liability. No liability should then arise in the assignment country.

Even if the initial assignment is for longer than 24 months the current regulations dealing with European transfers and associated member state practice will normally allow you to continue to pay only in the UK for a total period of up to five years provided that the authorities in both the UK and the host assignment country agree.

It is not yet clear what arrangements will need to be made for assignments to EU member states after 31 October 2019.

## 5.3 Transfers to other countries with which the UK has a social security agreement

The UK has negotiated agreements with certain countries, which are intended to deal with the social security implications of temporary transfers.

For a full list of the countries the UK has a social security agreement with please see Appendix II. For each country you will need to look at the relevant agreement. Some deal only with the reciprocation of benefits and not with contributions.

For those that deal with contributions, the general rule is that contributions must continue in the UK for a specified period.

The specified period is normally one or two years, but may be as long as five, e.g. US and Canada. If the assignment is longer than, or is extended beyond the maximum period, contributions will normally stop in the UK and will start being paid in the assignment country.

Generally, it should not be necessary to pay contributions in both countries at the same time if there is a relevant treaty in place between the two states.

**Carefully review the social security costs in your assignment location. Advance planning can produce significant cost savings with little or no impact on potential benefits.**



# 5. Social security contributions and benefits (2/2)

If your assignment is for no more than 24 months at the outset, or is for multi-state work, you should apply for the European Health Insurance Card (EHIC). Applications can be made online through the Department of Health website or from your local Post Office and will need to be made for yourself and for each accompanying dependant.

## 5.4 Transfers to countries with which the UK does not have a social security agreement

If your assignment is to a country outside the EEA and with which the UK does not have a social security contributions agreement, you and your employer (if it has a UK place of business) may be obliged to pay Class 1 NIC under UK law for a period of 52 weeks following your departure provided you meet certain conditions. This may mean there may be both a UK and assignment country liability during this period. At the end of this 52 week period, UK Class 1 NIC should cease.

## 5.5 Should I make voluntary contributions?

If Class 1 NI contributions are not required or cease after a period, it is generally possible to pay voluntary UK NI contributions.

Your individual circumstances will dictate whether this is advisable or not. However, it is worth considering that voluntary contributions will only protect entitlement to certain basic state benefits such as the old age retirement pension. When you are deciding whether to make voluntary contributions, you should explore which benefits are of concern to you. You may find that you are entitled to these benefits without making voluntary contributions, or that you have already made sufficient Class 1 contributions to qualify. If you do decide to make voluntary contributions you may choose to make Class 2 contributions. For the tax year 2019/20 the Class 2 contribution rate is £3.00 per week.

## 5.6 Can I continue to claim UK child benefit while I am overseas?

Child benefit will continue if you are assigned to another EEA country or a country that the UK has a social security agreement with that covers child benefits. You will need to continue to pay UK contributions under the provisions described previously.

Otherwise, child benefit is usually available for the first eight weeks of a temporary absence abroad (of up to 12 months). You must notify the Child Benefit Centre if either you or the child, or both of you, are intending to go abroad for more than 12 months or permanently. Entitlement will normally cease from the date of departure.

## 5.7 Am I covered for healthcare?

The position with regard to healthcare will depend on the country to which you are being assigned. In general, access to state healthcare is available in the EEA countries. When you obtain an A1 form from HMRC, you should also automatically receive form S1 if your assignment is for more than 24 months at the outset. If your assignment is for 24 months or less at the outset, or is for multi-state work, you should apply for the European Health Insurance Card (EHIC). Applications can be made online through the Department of Health website or from your local Post Office and will need to be made for yourself and for each accompanying dependant. The S1, or EHIC should be presented to the healthcare authorities in the assignment country whenever treatment is required. The UK has healthcare agreements with a number of non-EEA countries, which may entitle you to free or subsidised emergency healthcare treatment. You can find a list of these countries in Appendix II.

Depending on the assignment location, consideration should be given to obtaining private medical insurance to ensure that adequate medical treatment is available in the assignment country. You will normally remain covered in the UK for emergency healthcare when returning for a visit but if you come back especially for hospital treatment or a check-up under the NHS for an existing illness, you may be charged the full costs.



# 6. Work permits

Most countries allow the spouse and children under 18 years of age to accompany a work permit holder. If the family is also moving make sure that they have the necessary visas.

## 6.1 Do I need a work permit?

This depends on the country to which you are being assigned. The UK is currently a member of the EEA which promotes freedom of movement for its citizens. A UK citizen does not need a work permit to work in other EEA member states (see Appendix II). For all other countries, a work permit or work visa is normally required. It is not yet clear what may change after 31 October 2019 when the UK is scheduled to leave the EU.

## 6.2 Do I need any documents to work in the EEA?

If your assignment is to another EEA member country, a residence permit should be obtained once you arrive. Residence permits are usually issued by the local government or police authorities.

## 6.3 What if I do need a work permit?

Work permits are usually obtained by your employer in the assignment country. In most cases, you will need to supply personal information, such as educational qualifications and work history, to help obtain the work permit. The procedures for obtaining a work permit differ in every country. The local employer should be able to tell you which documents are needed.

## 6.4 How long does it take to obtain a work permit?

This depends on your destination. It can take many weeks to obtain a work permit so it is always better to apply as early as possible. Always check that a work permit application has been submitted as soon as your assignment is agreed.

## 6.5 What about my family?

Most countries allow the spouse and children under 18 years of age to accompany a work permit holder. If the family is also moving make sure that they have the necessary visas



# 7. Miscellaneous

## 7.1 Will I pay tax in the assignment country?

Each country has its own tax legislation which will determine whether, and to what extent, a tax liability arises for temporary assignments. Some countries have special regimes which relate to expatriates, allowing special tax breaks to short-term visitors. It is important that you review the position in the assignment country in advance so that you know the extent of the liability which will arise so you can minimise the liability. It is particularly important that you review your existing investments with the tax regime in your overseas location. Some tax planning possibilities which are attractive to you in the UK, such as registered pension contributions and ISAs, may be taxable in your assignment country. In addition, transactions which would not attract a UK tax liability (such as selling a qualifying main residence) may not be treated in the same way overseas.

Some countries tax capital and wealth quite differently from the UK. For instance, you may become liable to overseas wealth tax, normally charged at small percentage rates on your total wealth in excess of certain thresholds. You may also be taxed if you make or receive significant gifts or bequests.

## 7.2 Do I need to make or review my will?

It is always sensible to have a will in place whether you are on an overseas assignment or not. It may be worthwhile reviewing the position if an overseas assignment is being contemplated to ensure that any implications of the assignment are dealt with. This could include the local tax implications of acquiring overseas assets, particularly property. Generally you will remain UK domiciled, so you are potentially subject to UK inheritance tax on your worldwide assets while on temporary assignment overseas.

## 7.3 What if I am proposing to make substantial gifts out of my assets?

There may be CGT implications in the UK or in the assignment country if you give or receive wealth while abroad. The gifting of wealth is often taxed more vigorously abroad than in the UK. Once again, professional advice should be sought to clarify the position.

## 7.4 What about when I return to the UK?

You will need to review your position again before your assignment ends, particularly if you ceased to be UK resident while overseas and you are contemplating becoming resident again in the UK. The factors to consider will vary depending on your circumstances but could include:

- Should I exercise any share options prior to returning to the UK?
- Do I need to inform my mortgage lender or household insurer of my return?
- Should I sell assets to trigger capital gains before I return to the UK?
- Do I need to close non-UK bank accounts before I return to the UK to generate interest payments before I become UK resident?

All assignees will need to advise HMRC that they have returned to the UK and have resumed residence here. Please contact your PwC adviser to confirm the process required at that time.

Some countries tax capital and wealth quite differently from the UK. For instance, you may become liable to overseas wealth tax, normally charged at small percentage rates on your total wealth in excess of certain thresholds. You may also be taxed if you make or receive significant gifts or bequests.





# 8. Appendices



# Appendix I: Double taxation agreement countries

As at July 2019

- Albania
- Algeria
- Antigua and Barbuda
- Argentina
- Armenia
- Australia
- Austria
- Azerbaijan
- Bahrain
- Bangladesh
- Barbados
- Belarus<sup>1</sup>
- Belgium
- Belize
- Bolivia
- Bosnia and Herzegovina<sup>2</sup>
- Botswana
- British Virgin Islands
- Brunei
- Bulgaria
- Canada
- Cayman Islands
- Chile
- China
- Croatia<sup>2</sup>
- Cyprus
- The Czech Republic
- Denmark
- Egypt
- Estonia
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- Gambia
- Georgia
- Germany
- Ghana
- Greece
- Grenada
- Guernsey
- Guyana
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Ireland
- Isle of Man
- Israel
- Italy
- Ivory Coast
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati and Tuvalu
- Kosovo
- Korea
- Kuwait
- Latvia
- Lesotho
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macedonia
- Malawi
- Malaysia
- Malta
- Mauritius
- Mexico
- Moldova
- Mongolia
- Montenegro<sup>2</sup>
- Montserrat
- Morocco
- Myanmar
- Namibia
- The Netherlands
- New Zealand
- Nigeria
- Norway
- Oman
- Pakistan
- Panama
- Papua New Guinea
- Philippines
- Poland
- Portugal
- Qatar
- Romania
- Russian Federation
- St Kitts and Nevis
- Saudi Arabia
- Serbia<sup>2</sup>
- Sierra Leone
- Singapore
- Slovak Republic<sup>3</sup>
- Slovenia<sup>2</sup>
- Solomon Islands
- South Africa
- South Korea
- Spain
- Sri Lanka
- Sudan
- Swaziland
- Sweden
- Switzerland
- Taiwan
- Tajikistan
- Thailand
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- UAE
- Uganda
- Ukraine
- Uruguay
- USA
- Uzbekistan
- Venezuela
- Vietnam
- Yugoslavia
- Zambia
- Zimbabwe

<sup>1</sup> The agreements with the former Soviet Union will apply to these states until they are replaced by new conventions with each country.

<sup>2</sup> The convention with Yugoslavia is to be regarded as remaining in force with the former Yugoslav Republics.

<sup>3</sup> The convention made with Czechoslovakia before it became the Czech Republic is to be regarded as remaining in force with the Slovak Republic.

# Appendix II: Social security agreement countries

## Member countries of the EEA

Austria	Finland	Latvia	Portugal
Belgium	France	Liechtenstein	Romania
Bulgaria	Germany	Lithuania	Slovakia
Croatia	Greece	Luxembourg	Slovenia
Cyprus <sup>3</sup> (excluding the Turkish zone)	Hungary	Malta	Spain
The Czech Republic	Iceland	The Netherlands	Sweden
Denmark <sup>1</sup>	Ireland	Norway	Switzerland <sup>2</sup>
Estonia	Italy	Poland	United Kingdom (including Gibraltar for EEA purposes)

## Other countries with which the UK has a reciprocal social security agreement

Barbados	Isle of Man <sup>4</sup>	Macedonia	Republic of Korea <sup>5</sup>
Bermuda	Israel	Mauritius	Serbia
Bosnia and Herzegovina	Jamaica	Montenegro	Turkey
Canada	Japan <sup>5</sup>	New Zealand <sup>6</sup>	USA
Chile	Jersey and Guernsey	Philippines	

## Countries with which the UK has a separate healthcare agreement

If you are a visitor from the UK to any of the following countries, you may be able to get some free or subsidised emergency health care treatment in the following countries:

Anguilla	Gibraltar	St Helena
Australia	Isle of Man	Serbia
Bosnia and Macedonia	Jersey	Turks and Caicos Islands
British Virgin Islands	Montenegro and Monserrat	New Zealand

<sup>1</sup> Although the current EU regulations generally apply to non-EEA nationals moving within the EU as of 1 January 2011, the UK and Denmark have chosen to opt out so the old regulations therefore continue to apply to non-EEA nationals moving to/from Denmark or the UK and another EU country.

<sup>2</sup> Switzerland is not a member of the EEA or EU but it applies the EU social security regulations.

<sup>3</sup> The EU regulations only apply to qualifying individuals who are assigned into or from the Greek part of Cyprus. As Turkey is not yet part of the EU, the EU regulations do not apply to assignments to or from the Turkish part of Cyprus. The UK/Cyprus bi-lateral agreement does, however, cover the whole territory of Cyprus

<sup>4</sup> Letters of administration.

<sup>5</sup> The Double Contributions Conventions for Japan and the Republic of Korea only cover social security contribution liability and do not include benefits.

<sup>6</sup> Benefits-only agreement.

# Appendix III: Residence (1/2)

This section describes the law and practice in force as at 6 April 2019.

## Determining your residence position

Residence is determined according to detailed rules set out in statute. To be regarded as tax resident in the UK you must be physically present in the UK at some time in the tax year. Your residence position elsewhere is irrelevant in determining tax residence under UK law.

## Non – Residence

You will be regarded as non-resident if you fall into any one of the following three categories. If you fall into one of these categories you are definitely non-resident and you do not need to consider any of the other detailed residence rules.

You were resident in one or more of the previous three tax years but you spend less than 16 days in the UK during the tax year or,

- You were not resident in any of the previous three tax years and spend less than 46 days in the UK during the tax year or,
- **You work full time overseas.** To fall into this category you must average a 35 hour working week overseas and there must be no significant breaks from your work overseas. The calculation of the 35 hour average is complicated and you should consult your tax advisor if you have an irregular working pattern which could result in averaging less than the required 35 hours. A significant break from work overseas is considered to be a break of 31 or more days when you do not work overseas. Exceptions are allowed for annual, sick and parenting leave.
- It is also a requirement that you do not spend more than 30 workdays in the UK during the tax year. A working day for this purpose is regarded as more than 3 hours of work in the UK. Any type of work will count towards the three hours including training or travelling for business. You must also ensure you spend less than 91 days in the UK during the tax year. A day of presence for these purposes will count if you are in the UK at midnight. Days in transit will be excluded (for example where you find yourself in an airport at midnight en route to another destination). If you work on board a vehicle, aircraft or ship and you make at least six cross border trips as part of this job then you will not be regarded as working full time overseas and cannot be considered non-resident under this test.

## Residence

If you do not fall into any of the categories for automatic non-residence then you will need to consider if you fall into any of the categories that will make you automatically resident:

- **You spend at least 183 days in the UK in the tax year.**

- **Your only home is in the UK.** You will satisfy the conditions of this test if you occupy a UK home for at least 30 days during the tax year. This home also needs to be available for a 91 day period, at least 30 of these days are in the tax year concerned, and during that 91 day period you do not have any home overseas or if you do have a home overseas you were present there for less than 30 days in the tax year concerned.
- **You work full time in the UK.** You will be regarded as working full time in the UK if you average a 35 hour working week in the UK and there are no significant breaks in your employment. The same exemptions are available as the full time work overseas test explained above. Again if you have an irregular working pattern you should consult an advisor to see if you will average a 35 hour working week in the UK as the rules are complex. If you work abroad and your non-UK workdays are 25% or more of your working days in a 365-day period, you will not be deemed resident under this test (at least of the 365-day period should fall into the tax year in question for this test). For example if 26% of your workdays are outside the UK, then you are not working full time in the UK for the purposes of this test. If you work on board a vehicle, aircraft or ship and you make at least six cross border trips as part of this job then you will not be regarded as working full time in the UK and will not be considered resident under this test although you maybe resident under other tests.

## Residence based on personal connections to the UK

If you are not regarded as resident under any of the tests outlined above, you may still become resident in the UK but it will be determined by comparing any personal ties you have to the UK with the amount of days you spend in the UK during the tax year. It is referred to as the 'sufficient ties test'. The amount of ties you have to the UK sets the threshold of days you can spend in the UK before being regarded as resident.

The following UK ties are relevant for determining this threshold:

- **A family tie:** You will have a family tie if you have a spouse, a civil partner, a partner (who you live with as 'husband and wife'), or a child under 18 who is/are tax resident in the UK. There are exemptions so that children who spend less than 21 days outside of school term time in the UK will not be regarded as resident here for this purpose. If you see your child for less than 61 days in the UK, this will also not count as a family tie.
- **Accommodation tie:** You will have an accommodation tie if you have a place to live in the UK which is available for at least 91 days and you spend at least one night in that place in the tax year. If the accommodation is the home of a close relative it would need to be stayed in for 16 nights in order for you to be regarded as having an accommodation tie.

# Appendix III: Residence (2/2)

- **Work tie:** If you work in the UK for at least 40 days in the tax year you will have a work tie. A day is counted in the same way as the full time work overseas test (i.e. more than 3 hours work is a UK workday). If you work on board a vehicle, aircraft or ship then a cross border trip beginning in the UK will count as a workday but a trip ending in the UK would not be regarded as a workday for these purposes.
- **90 day tie:** You will have a 90 day tie if you spend more than 90 midnights in the UK in either or both of the previous two tax years.

If you have been resident in the UK in any of the previous three tax years there is an additional tie you may have in the UK:

- **Country tie:** You will have a country tie if you spend more midnights in the UK than any other country.

## Days threshold

- This table shows the number of days spent in the UK that will trigger residence when combined with your personal ties to the UK.
- The first table shows the days applicable if you have been resident in any of the previous three tax years.

Days spent in the UK in the tax year	Number of sufficient ties
More than 15	4 ties
More than 45	3 ties
More than 90	2 ties
More than 120	1 tie

The second table applies if you have not been resident in any of the previous three tax years.

Days spent in the UK in the tax year	Number of sufficient ties
More than 45	All 4 ties
More than 90	3 ties
More than 120	2 ties

## What if I do not meet the conditions of the sufficient ties test?

If you do not exceed the days threshold based on your sufficient ties then you are regarded as non resident for that tax year.

## How to count days of presence

You count a day of presence if you are present in the UK at midnight. There are exceptions to this.

One such exception is if you arrive in the UK in transit then you will not be regarded as having spent a day in the UK if you are here at midnight. A typical example is where an individual flies into an international airport and needs to wait for a connecting flight such that they spent a midnight in the UK. This will not be treated as a day spent in the UK provided that you do not undertake activities which are to a substantial extent unrelated to your journey (for example holding a business meeting in a departure lounge).

Another exception case is that you will not be regarded as present in the UK at midnight if you are prevented from leaving due to 'exceptional circumstances'. Exceptional circumstances would include national or local emergencies such as war, civil unrest or natural disasters or life threatening illness or injury. This could include situations where your close family member is taken ill while you are in the UK. The maximum number of days that can be excluded is 60.

## The deeming rule

A day of presence is based on you being physically present in the UK at midnight. The deeming rule is designed to prevent people spending a large amount of days in the UK and organising their affairs such that they can be out of the UK before midnight.

This deeming rule means that days when you are present in the UK, but not present at midnight, can count as a day spent in the UK. It will apply where:

- You have at least three sufficient ties, and;
- You have been resident for at least one of the previous three tax years, and;
- The number of days when you are present in the UK at some point (but not at midnight) exceeds 30 days.
- If these tests are met then any days when you are present in the UK at some point will count as actual days spent in the UK. The first 30 of these deemed days are disregarded. For example if you have 40 deemed days, then you will be regarded as having spent 10 days in the UK, because the first 30 are ignored.

# Appendix IV: Applying the split year rules

**If you leave the UK part way through the tax year you will need to consider if you can split the tax year so that you are not regarded as resident for the entire tax year after you leave on assignment.**

If you are regarded as resident during a tax year then you will be regarded as resident for the entire year. It is common for individuals to be considered resident for the tax year in which they leave the UK. Therefore if you leave the UK part way through the tax year you will need to consider if you can split the tax year so that you are not taxable in the overseas part of the tax year. If you fulfill the conditions of one or more of the following 3 scenarios, you will be able to split the tax year.

## Starting full time work overseas (case 1)

You will be able to split the tax year at the point you begin full time work overseas. It is requirement that:

- For the overseas part of the tax year you average at least 35 hours of overseas work a week;
- For the overseas part of the year you do not exceed a prorated limit of 30 UK workdays and 90 days spent day in the UK (take advice on what your prorated workday and day limits will be);
- You are non-resident in the following tax year because you are working full time overseas for that year (for further details on full time work overseas please see Chapter 1 of this guide).
- If you satisfy all these conditions then you will be taxed as though you were a non-resident for the overseas part of the tax year. If you meet the requirements of this case it is not necessary for you to consider whether either of the remaining two cases apply.

## You are the partner of someone starting full time work overseas (case 2)

You will be able to split the year if you move overseas so that you can continue to live with your partner while they are working overseas. Your partner must be able to split the tax year under case 1. You also need to ensure that if you spend days back in the UK after you leave they do not exceed the permitted limit. You calculate your permitted limit by prorating a 90 day limit to the overseas part of the tax year. For example if you leave half way through the tax year your permitted limit would be half of 90 days being 45 days.

If you leave the UK at a different point to your partner you should take advice on when you should split the tax year.

## Ceasing to have a home in the UK (case 3)

This will typically apply where you leave the UK for reasons unrelated to work or you leave for work overseas but do not fulfil all the conditions of case 1. This case allows you to split the tax year if:

- At the start of the year you have a home in the UK and at some point you no longer have that home in the UK and;
- You have no home in the UK for the rest of that year and;
- You spend no more than 16 days back in the UK (this is not prorated unlike case 1 and 2) and;
- You establish a 'sufficient link' with a country overseas within 6 months of leaving the UK.

A 'sufficient link' will be established with the overseas country if either:

- You are considered resident in that country for tax purposes according to their domestic laws or;
- You have been present in that country every day for a period of six months since leaving the UK or;
- Your only home is in that country or if you have more than one home, they are all located in that country.

## The priority order of these cases

- It will be common for individuals leaving the UK to fulfil more than one case. In this situation you will split the tax year when you meet the conditions of case 1 or case 2 in priority to case 3. This means that if you leave the UK to work overseas it will be usual to split the year at that point rather than when you dispose of your home in the UK.



# 9. Contacts

For further information, please contact your usual PwC adviser, or:



**Victoria Robinson**  
E: victoria.x.robinson@pwc.com



**Sarah Mason**  
E: sarah.l.mason@pwc.com



**John White**  
E: john.white@pwc.com



**Iain McCluskey**  
E: iain.a.mccluskey@pwc.com



**Graham Wyllie**  
E: graham.wyllie@pwc.com



**Erika Campbell**  
E: erika.g.campbell@pwc.com

## 9. Contacts (cont'd)

For further information, please contact your usual PwC adviser, or:



**Leo Palazzuoli**

E: [leo.palazzuoli@pwc.com](mailto:leo.palazzuoli@pwc.com)



**Martin Muhleder**

E: [martin.muhleder@pwc.com](mailto:martin.muhleder@pwc.com)



**Brian Ashmead-Siers**

E: [brian.ashmead-siers@pwc.com](mailto:brian.ashmead-siers@pwc.com)



**Robbie Wigley-Jones**

E: [robert.wigley-jones@pwc.com](mailto:robert.wigley-jones@pwc.com)



**Ben Marshall**

E: [ben.wilkins@pwc.com](mailto:ben.wilkins@pwc.com)



**Ben Wilkins**

E: [ben.wilkins@pwc.com](mailto:ben.wilkins@pwc.com)



# Notes

Dotted lines for note-taking.

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