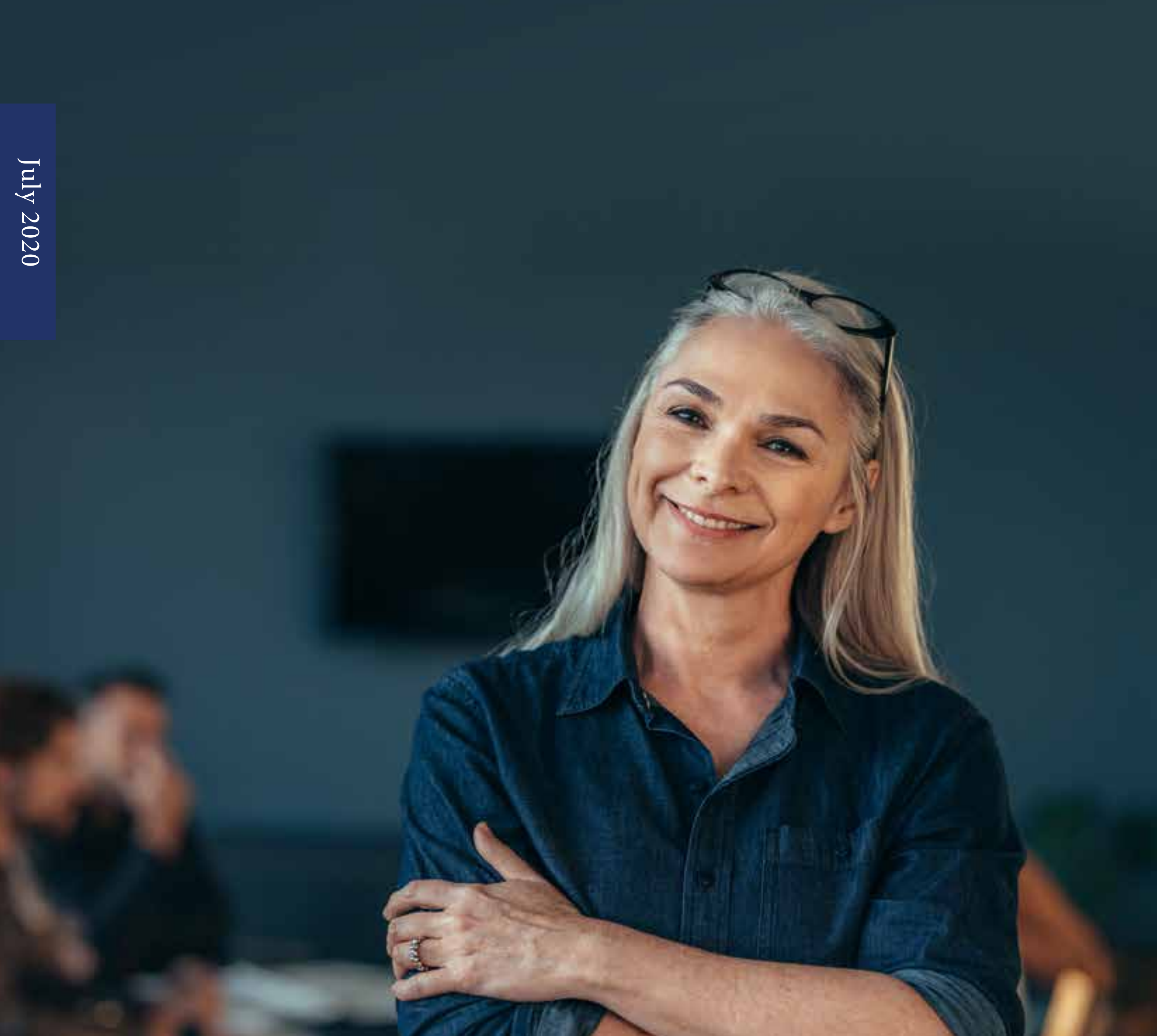
SHALCHI & PARTNERS

Repatriating To The United Kingdom



July 2020

GUIDE TO

Moving back to the UK

This guide will give you a better idea of what you need to start preparing for now...So you can avoid any nasty and expensive surprises in the future.

Should you sell assets before repatriating?

If you have time on your side then start looking at your financial affairs 12 to 18 months before your actual repatriation.

If you have assets to sell and profit to release, it makes sense (from a capital gains tax perspective) to do this before returning home.

Moving home on or after April the 6th is a great way to simplify your tax situation.

However, even the best laid plans seldom come to fruition. Having the luxury of choosing your exact date of return is unlikely.

If you have assets such as a property and you can't or don't want to sell before you move, then there are additional planning opportunities available to mitigate potential tax on income from assets.

As always, everyone's circumstances are different. Repatriating may not necessarily be all that complex for you as long as you take sage financial and tax advice from a professional.

Retiring back to Britain

If you're repatriating and have a QROPS, you're required to inform the QROPS provider when you've returned to the UK.

If you then transfer your funds or take benefits from your QROPS, the scheme itself has to report payments to HMRC, regardless of how long you were a non-UK resident previously.
If you've started drawing an income from a pension scheme while abroad, you will be liable to tax in the UK on your income once you return to Britain...

(Regardless of whether yours is a UK registered pension scheme such as a SIPP, or whether it's a QROPS).

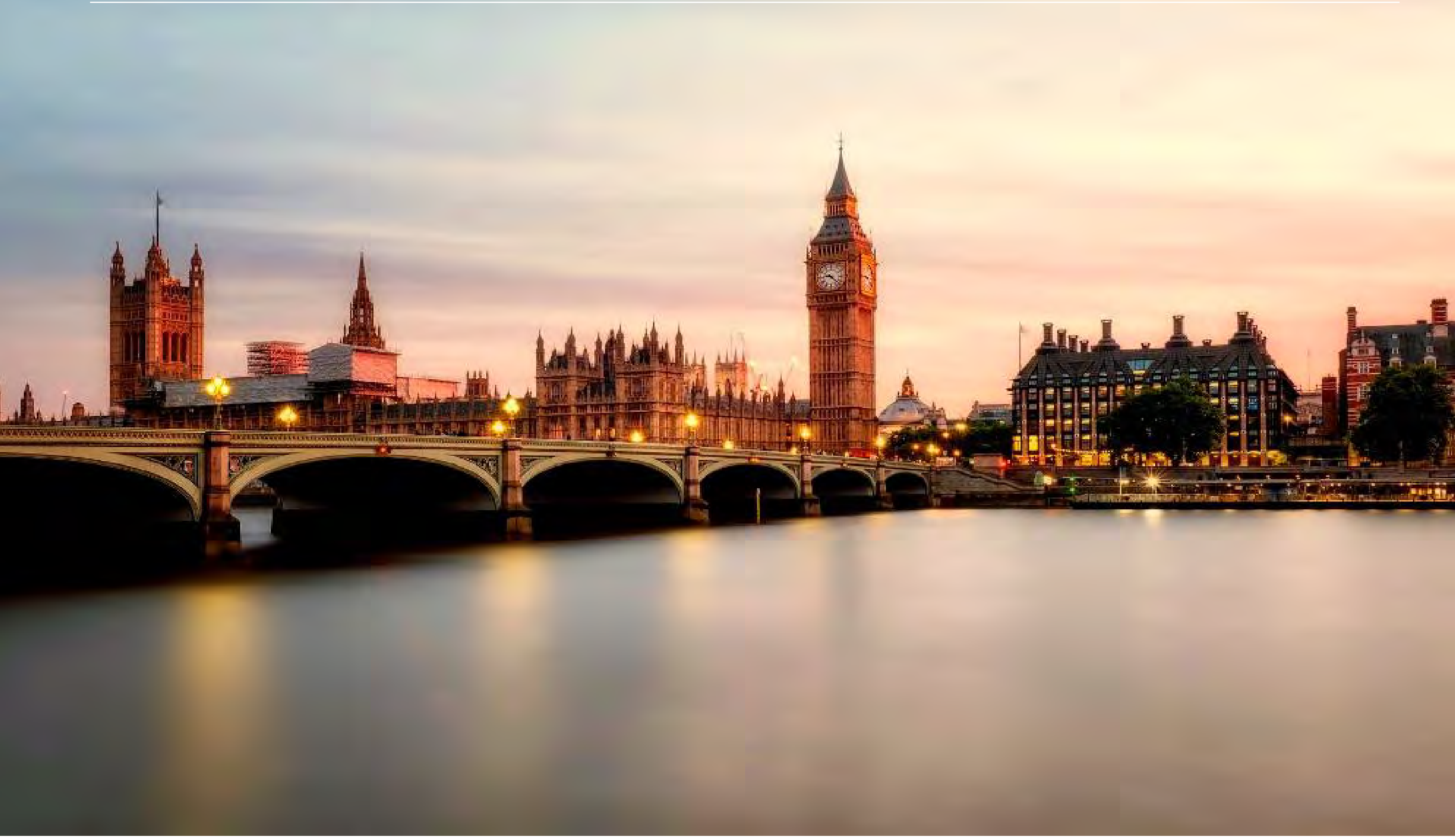
It is very important to seek advice at this stage to ensure that the level of income drawn from your pension along with other assets is done as tax efficiently as possible

For example, you may be able to offset tax liability by drawing down a portion from the pension commencement lump sum, using tax-deferred 5% withdrawals from an offshore bond, using the CGT annual exempt amount, transferring assets between spouses if one is a higher or additional rate tax payer, etc. You have choices and options – but you must seek advice in advance of your return to Britain. Otherwise you limit all your choices and options.There's also the issue of a no-deal Brexit which may affect your UK pension.

How are funds taxed in the UK?

If you're UK-domiciled, have properly ceased UK residence and are not ordinarily resident in the UK (i.e., an expat), you can bring funds into the UK without a UK income tax charge.

But, if you've been an expat for less than 5 years, beware of the temporary non-residence rules. These could see gains, realised during your absence, taxed on your return. If you think you may be resident in the UK, UK-domiciled, but not ordinarily resident you will need to seek professional tax advice as your tax position is complex.



How to make and receive an international transfer

You will need to have a bank account in the UK if you want to receive funds from abroad. Simply supply the bank you're transferring from with the following details about the account you're transferring to:

- Your personal details
- Your bank's SWIFT code
- IBAN (international bank account number) number
- BIC (business identifier code)*

*Not always requested.

You may wish to use an international currency exchange firm for the transfer because many such companies charge low or zero fees for large transactions, and often offer better exchange rates than your bank. Ensure you entrust a reputable, regulated company.

Don't forget currency exchange issues

Unless you hold sterling offshore, you're likely to encounter a rate of exchange when you move your funds back to Britain and into pounds sterling.

You can forward fix a rate of exchange if you use a foreign exchange specialist company.

This can be a wise move if you don't want the risk of the currency crashing on the day you move it.

Explore your options with a regulated foreign exchange (also called FX) firm.

Income tax

Liability for tax in the UK is determined by residence and domicile status.

If you're a tax resident in the UK you're liable to UK tax on your worldwide income.

As a non-resident expat you're subject to tax on UK-source income only, such as rental income from UK properties, UK pension income etc.
Where you are subject to UK income tax, the amount you pay will depend on the level of your income, which falls into each of the tax bands.

At present, everyone has a personal allowance of £12,500 which you do not have to pay tax on.
In terms of registering your arrival back in the UK with the taxman, HMRC says:

"You may need to register for Self Assessment, e.g. if you start working for yourself or have other income or gains from the UK or abroad. You don't need to register if you're an employee and don't have other untaxed income to report."

You can find out more about self-assessment and who needs to send in a tax return on HMRC's own website.

If you're returning to the UK and taking up a job offer, you are likely to need to fill in a Starter Checklist form from HMRC.

This is for employees without a P45, (which is the form you're given at the end of a period of employment in the UK, which provides details of your tax code, gross pay, and the tax paid for that year).

This Starter Checklist replaced the old P46, and it gets you back on the taxman's radar. Until your tax situation is clarified you may also have to have an emergency tax code.

Apply for both via HMRC's own website. For the purposes of income tax, you are generally treated as being resident for the whole of the tax year.

Therefore all income received in the tax year in which you become UK resident will be subject to UK income tax.

There is however an extra statutory concession for the purposes of income tax which allows a 'split year treatment' to be applied. That means income arising in the tax year of return (but before the actual date of return) will not be subject to UK income tax.

The rules for this are quite different to those applying to the treatment of capital gains. And, income tax split year treatment is only available where an individual is leaving or returning to the UK for the purposes of work.

National Insurance

National Insurance contributions (NICs) are payable in order for you to qualify for certain benefits including the state pension. You can make voluntary contributions while you're abroad. However, if you haven't done so and you'd like to catch up once you repatriate, you can check your NI record online.

You'll also be able to find out how any gaps you have may affect your future entitlement to benefits. The type of NICs you pay depends on your employment status and how much you earn. If you're employed you stop paying Class 1 National Insurance when you reach the state pension age. If you're self-employed you stop paying Class 2 when you reach state pension age. And, you stop paying Class 4 from the start of the tax year after you reach state pension age.

Capital Gains Tax

Capital gains is a tax payable on any gain made on the disposals of the majority of assets, whether the disposal occurs due to a sale of the asset or gifting. It is assessed in the tax year in which the gain is made, and the rate at which it is paid relates to your total income.

When added to income for the tax year, any part of the taxable gain which falls into the higher or additional rate band is subject to CGT at 20% (28% for property), with any part below the basic rate band subject to tax at a lower rate of 10% (18% for property).

You have an annual exemption per tax year below which gains realised will not be subject to CGT (currently, this exemption is £12,000).

Depending on your current residency status, you may not be liable to UK CGT on investment assets that were purchased while you were non-resident, and disposed of while non-resident. However, once you repatriate, your entire gain from such a disposal could be liable to CGT. It may be wise to realise any gains on investment assets before repatriation.

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HMRC has a useful section on its website with help sheets to assist you in determining whether you have anything to pay.

Also worth keeping in mind is the fact that there is no relief or reduction in liability available to take into account gains that were accrued while abroad.

For this reason, returning to the UK with unrealised gains on assets is not a good idea. Where gains are realised during a tax year in which you are non-UK resident, it is important to be aware that you may still be subject to UK CGT.

This can occur if you are non-UK resident for fewer than five complete tax years before realising the gain.

It is also worth noting that, while capital gains are assessed in the tax year in which they are made, an extra statutory concession applies where you have not been resident in the UK at any time during the previous five tax years.

Disposals made after the date that you become UK resident are assessable for CGT.

The result of this is that if, for example, you become UK resident half way through a tax year, you will not be subject to UK CGT on disposals made in the first half of the tax year.

However, if you've lived abroad for fewer than five years and made a taxable gain in that time, you may be subject to UK CGT.

Inheritance tax (IHT)

IHT may be levied on the estate of a deceased person who was domiciled in the UK, or who was not domiciled in the UK but who owned assets there. This means it can apply to the assets of deceased expats.

Domicile is distinct from residency, meaning that IHT is applicable to a UK domiciled individual regardless of where they are resident. The IHT threshold (or nil rate band - NRB) is the amount up to which an estate will have no IHT to pay.

The amount of the NRB is currently £325,000 per individual. Assuming you're a British expat, you're likely to be a UK domiciled individual whose estate could be liable to IHT. So you may want to consider taking advantage of certain IHT exemptions.

Potentially Exempt Transfers (PETs)

PETs are gifts that potentially qualify for an exemption and are made, in general, to either an individual or an absolute trust.

A potentially exempt transfer will only become chargeable to IHT if the donor fails to survive for seven years from the date of the gift.

In this instance, it is regarded as a failed PET.

On death within seven years of the gift, the value of the failed PET is added to the donor's estate, along with any other gifts made by the donor in the seven years before death.

Only where the value of the failed PET, when added to any earlier gifts within seven years, exceeds the prevailing NRB (£325,000 in the current tax year) will IHT become payable on the failed PET.

If there is an IHT liability on the PET, then this may be reduced by taper relief, where the donor has survived at least three years from the date of the gift.

The relief is calculated as a percentage reduction of up to the full IHT rate depending on the length of time between the gift and date of death

0-3 years from gift - 40% Taper Relief
3-4 years from gift - 32% Taper Relief
4-5 years from gift - 24% Taper Relief
5-6 years from gift - 16% Taper Relief
6 -7 years from gift - 8% Taper Relief 7
+ years from gift - 0% Taper Relief

UK property for expats returning to live in Britain

If you've been away from the UK for a long time, things may have changed significantly with respect to getting a rental contract or a mortgage.

Most letting agents require references from previous landlords, and will run a credit check on you prior to allowing you to rent a property.

As a returning expat, you can fall at each of these hurdles. You may not have up-to-date references and your credit history may not reflect your current or recent earnings.

If you're returning to a job this can help. You will be able to show proof of earnings (albeit anticipated earnings), a contract and reference from your employer. However, if you're returning to retire, you're self-employed or currently unemployed this can make things more challenging.

Many letting agents will consider your application favourably if you're able to pay a lump sum for rent in advance. Most private rented tenancies are let on an assured shorthold basis (AST). This means your landlord has the right to bring your tenancy to an end after its fixed term.

If the tenancy does not have a fixed term, they are able to bring it to an end after six months.

You will be required to pay a deposit up-front (usually 1 or 2 months' rent), and it would be sensible to have contents insurance in place.

If you are returning with pets, your options are likely to be more limited, so start searching early if this is the case. (You may also need to pay a pet deposit.

Buying UK property - proof of funds

When buying property, a very important part of the conveyancing process is understanding the source of the purchaser's funds. As an expat or recent repatriate, you may be asked for additional proof if you're bringing money in from overseas (and/or your funds were earned or accrued overseas).

Solicitors handing the conveyancing process are guided by the Money Laundering Regulations 2017, which mention the source of funds in two places:

Regulation 28 (S11(a)) - Scrutinise transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure the transactions are consistent with the relevant person's knowledge of the customer, his business and risk profile.

Regulation 35 (S5(b)) - Take adequate measures to establish the source of wealth and source of funds which are involved in the proposed business relationship or transactions with that person.

Furthermore, the Law Society states,

"In many ways, client identification and verification is secondary in anti-money laundering compliance to understanding the source of funds."

Cash is not an acceptable option.

The onus is on you to prove your funds are not from the proceeds of crime, and if your solicitor has doubts they are obliged by law to report you for suspicion of money laundering.
For this reason, have as many wage slips, bank statements, contracts and so on as you can.

However, be aware that the receiving bank in the UK may also require proof of the source of funds before clearing them.

This again takes time.

Be prepared to answer questions about particular transactions on your bank statements too, especially if they are frequent payments or large transactions.

A delay in the process could cost you the property of your dreams.

Getting a mortgage

Most of the big name lenders in the UK make getting a mortgage for a repatriating Briton difficult.

The first hurdle?

Not having a UK address in the last three years.

Mainstream lenders carry out a credit score.

Without a recent UK address you probably won't have enough points and will be declined.
Fortunately, there are other lenders out there who credit check instead of credit score and assess cases on an individual basis.

Underwriter's for these firms will look at your credit record to make sure that there is nothing untoward in your financial background.

And they won't care so much about the fact you've been living abroad.

Assuming all's well with your credit check, you have a deposit and can prove you can meet repayments, you should be able to find a willing lender.

If you're currently abroad, and you're planning to return and buy a property within the first year or so these steps might help you plan:

1. Keep a correspondence address in the UK.

This can be your parents' address or another relatives' home address, as long as it's the home of someone you trust, as your mail will be received there.

2. If possible retain a UK current account, as well as a credit card.

Make sure your bank will allow your accounts to remain open if you live overseas.

3.Have a job lined up for when you return.

If you're staying with the same employer this will make things easier and quicker for you, but if you are moving to a new firm you may have to wait 3-6 months to get a mortgage.

Depending on the mortgage company you're applying to, some may accept a letter of appointment with a start date and your salary details, as well as your contract and employment references.

4. For anyone returning to be self-employed.

You're unlikely to be accepted for a mortgage without at least a year's worth of audited accounts available; sometimes lenders want to see the last three years' of accounts.

5. Make sure you have a deposit of at least 25%.

There are lenders who will accept less... but they are few and far between for repatriating Brits.

Council tax

Whether you buy or rent a home you'll have to pay council tax.

Most local councils list the amount payable per band, and your letting agent or estate agent should tell you which band your property falls in to.

Electoral register

If you haven't retained your right to vote whilst living abroad, or you've lost your right because you've been abroad for more than 15 years, you can register online or, once you've relocated and settled in to your new home, via your new local council

Insurance

You may need to revisit your insurance coverage.

Home insurance, car insurance, life insurance, boiler breakdown insurance... the list can seem endless.

If you have insurances in place already, will they all still be valid and appropriate when you return?

In the last few years, the Law Society has changed the rules on home insurance when buying a new property – namely that the purchaser must have insurance in place before they move into the property.
To save time, use one of the many UK comparison websites and receive multiple quotes at once.

Importing your personal effects and pets

Depending where you've been living and how many possessions you've acquired, you may be able to return with just a suitcase. Chances are however, you will require a container.

If you're likely to return before your belongings, pack carefully to ensure you have the essentials you need while the rest is in transit. Also, plan for living in the UK without all your things for some duration and get Customs' clearance.

You will need a valid visa and a declaration form to bring your personal effects into the UK...
And will be required to list all the items being brought in to the country.

You will have to estimate acquisition dates and current values, and any items that you bought between six to twelve months before moving back to the UK may be subject to VAT charges.

Bear in mind that no liquids or consumables can be brought back via shipping containers, which includes toiletries, and even candles. Otherwise your personal belongings should be considered duty-free.

Those with large or many possessions will find it much easier to employ an international removal company, or a separate import agent service and removal company.

Both the agent and the international removal company will have the expertise and experience required to help your importation run smoothly.

Fees charged will vary and depend on the cubic volume of effects to be returned, the size of a container, the place of origin and ultimate destination.

It's wise to get a few quotes, and to plan well in advance because shipping times can be long.

Tip you can get a good deal if you are willing to share a container with other movers Ask your relocation company for details

You will have to pay a fee for the customs clearing agent who looks at your shipping container.

And include copies of your passport and visa for the customs agent too.

Any delays on arrival at UK customs could be chargeable to you, for storage, and of course your goods may be subject to random checks.

It is possible to import medication, although customs will require all medication to be in its original labelled container with English instructions.

Some medicine, such as controlled drugs, will require a doctor's letter and a personal licence, and the amount allowed in will be restricted.

Importing vehicles

You have a 14 day period to inform HMRC that your vehicle has arrived in the UK. Your vehicle also needs to meet UK driving and safety standards.

A European Certificate of Conformity is required for vehicles being imported from the EU, as well as a Mutual Recognition Certificate.

A new car will require additional VAT, duty, and tax payments along with a registration once it arrives.

HMRC sets the VAT, and the registration department will determine the vehicle tax to be paid.

For vehicles imported from any country not in the EU, a NOVA form and DVLA registration will be required. VAT and vehicle tax must also be paid.

Bringing your pets home

The rules around live animal importation are fairly easy to understand and navigate. Having said that, I'd say it's wise to seek the help of a specialist transportation company to ensure your pets are cared for in transit.

They also ensure all required documentation is in place to avoid enforced quarantine on arrival.

In the case of dogs, cats and ferrets this is what the government has to say: You can enter or return to the UK with your pet cat, dog or ferret if it:

1. has been micro chipped
2. has a pet passport or third-country official veterinary certificate
3. has been vaccinated against rabies - it will also need a blood test if you're travelling from an unlisted country.

Dogs must also have a tapeworm treatment. Your pet may be put into quarantine for up to 4 months if you don't follow these rules - or refused entry if you travelled by sea.

You're responsible for any fees or charges.

It's also worth doing your own checks with different airlines to see how they treat animals in transit, as some have much more favourable reviews than others.

Bear in mind you may need to fly your pets, or all of you if you want to travel together, into a different airport in the UK than you had planned, as not all airports accept animals and the costs can vary widely.

Accessing the NHS

If you return to the UK and become unwell before registering with a GP surgery, you can of course dial 999 or visit an accident and emergency hospital department.

Alternatively, 111 is the number for medical help and advice.

The NHS is a residence-based healthcare system, this means free provision of NHS treatment is based on whether you're ordinarily resident in the UK or not.

It doesn't depend on a person's nationality, their payment of UK taxes or national insurance contributions, owning a property in the UK, or even being registered with a GP or having an NHS number.

Therefore, as a British citizen returning to live in the UK you will be immediately entitled to free NHS care.

Only if you reside exclusively and permanently overseas and are visiting the UK, may you be charged for treatment.

Registering with a doctor

If applicable, ensure you have enough prescription medicine with you when you return to cover any period between arrival and registering with a GP.

It will be hugely helpful to your GP if you can get a summary of any medical care and attention received while living abroad. Your former medical practitioner may be willing to provide this.

Finally, if you have registered an S1 (a certificate of entitlement to healthcare in another EEA country) you will need to contact the local authorities in that country and inform them of your return to the UK.

You will also need to inform the Department for Work and Pension Overseas Healthcare Team so they can stop payment for the S1

Finding a dentist and Denplan

Depending on how long you've been away from the UK you may be unaware of the fact that seeing an NHS dentist can be extremely difficult.

Many UK residents now have private dental insurance.Using the NHS Choices website, you can search and see if there are any dentists near you offering NHS treatment.

Those that do, also often offer private practice as well. Make sure you clarify what you will be eligible for as an NHS patient before agreeing to any treatment.

Your dentist should be able to outline what may be covered, and what you may have to subsidise, as some procedures aren't offered on the NHS anymore.

If you can, take any record of dental treatment carried out while living overseas home with you, that will be a benefit to your new dentist in the UK.

In the event you need to see a dentist urgently before you've registered with one, dial 111 for assistance. Many returning expats report feeling disconnected when they return 'home' to a country that actually, no longer feels like home.

A lot may have changed in Britain since you left, and it's not uncommon to find it hard to adjust. If you anticipate and accept that you might experience a degree of reverse culture shock, it may well help you adjust to your return more quickly.

The good news is most government agencies, councils and service providers in the UK have embraced technology, and everything you're likely to need is available online.

SHALCHI & PARTNERS

LOOKING FOR A TAILORED FINANCIAL PLAN GEARED TO YOUR GOALS?

We explore all the different aspects of your goals, taking everything into account to create a financial plan that works for you throughout all of life's events.

Contact Shalchi & Partners today to discuss how we can help you.

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