Change of tax

With the tax year ending on 5 April 2011 there are a wide range of opportunities to minimise tax for the current tax year. We would welcome the opportunity to discuss how your tax can be minimised this year and beyond.

Plummer Parsons
Chartered Accountants

In May 2010, the country had a change of government, giving the country its first coalition government since 1945. An emergency Budget was held a few weeks later on 22 June 2010. This reversed some decisions made in the Budget of the previous government in March 2010.

Despite this change, the tax system now has a degree of stability with many announcements already made for the period up to the year 2015. This removes some of the uncertainties from last year, making it easier to see how to manage your personal finances and business finances, and minimise your tax liabilities within the law.

In this year end guide we consider some of the strategies that we think may assist you in seeking to achieve a more secure future for you, your family and your business. Please call us now to discuss your specific situation and the planning opportunities you could consider before the tax year end. Acting now could pay dividends in the future.

Act now to save money

Effective planning does require time and consideration, but with our help, you can significantly reduce your burden of personal and business taxation.

In many areas, the opportunities to save tax are the same as for previous years. This includes using allowances and exemptions, and making appropriate elections.

Particularly significant changes in 2010 include:

- New penalties and filing requirements
- Changes to corporation tax
- Increase in capital gains tax
- Increase in entrepreneurs' relief
- Changes in laws on pensions

In addition to these changes there were continuing developments on the nature of residence, furnished holiday lettings and associated persons (in restricting corporation tax rates).

New penalties and filing requirements

This year, as in previous years, new filing requirements and new penalties have been introduced.

From April 2010, all businesses newly registered for VAT and all existing businesses with a turnover above £100,000 must submit VAT returns electronically. Existing businesses with lower turnover may file their returns electronically, and are encouraged to do so.

Similarly income tax, corporation tax and PAYE returns must usually be filed electronically. The government has provided a mixture of incentive payments and penalties to ensure this happens.

If you have not already registered for electronic filing, you should consider doing so now. The process is fairly straightforward but slow. Part of the process involves waiting for a Gateway user ID card to be sent by post.

Also remember that, while the latest dates for filing tax returns are fairly well known, it is possible and advisable to submit returns much earlier. The personal return that must be filed by 31 January 2011 could have been filed on 6 April 2010. This allows plenty of time to sort out any issues, should HMRC reject it for any reason or if there are problems with their computer system. If your income is reducing, early filing speeds up the process of adjusting your income tax payments on account.

The HMRC filing system can overload as the deadline approaches. Although there is a helpline number, it is rarely answered within an acceptable time, if at all.

If a return is late, penalties are issued automatically by computer. Although these can be appealed on grounds of reasonable excuse, this is still a tedious process which is best avoided. Remember that the penalty applies if HMRC accepts a tax return after the deadline. Suppose you send in a return in time but have forgotten to sign it or to enclose supporting accounts. HMRC will send the returns back perhaps two weeks later for resubmission. If that resubmission is after the deadline, you are liable for a penalty.

Late PAYE

From 6 April 2010, penalties are introduced for late payment of monthly or quarterly PAYE. These payments will not be made until the new tax year, that is after 6 April 2011, so the lack of PAYE penalty notice so far does not mean that you have avoided a penalty.

If you are in the Construction Industry Scheme, tax penalties can be particularly severe as a few late payments can lead to the loss of a gross payment certificate which could put a builder out of business.

An appeal against any tax penalty may be made on grounds of reasonable excuse. This usually means something unexpected, beyond the normal hazards of trade. This includes fire, flood, unexpected illness of accountant or something similar. A combination of reasons may constitute reasonable excuse even though each reason on its own is not. However, the burden of proving reasonable excuse rests with you.

The success of such appeals can often depend on how the case is presented. For example, insufficiency of funds is not reasonable excuse, but a major customer unexpectedly going out of business may be. We can advise on whether something is likely to be accepted as a reasonable excuse, and, if so, how best to present it.

Time to Pay

If you do have problems in paying any tax, HMRC offers a Time to Pay (TTP) scheme whereby you can arrange a schedule to pay your tax later. It should be noted that a TTP request must be made before the tax is due. You or your business must be solvent so that HMRC knows that the tax will be paid. Typically a TTP arrangement will require a schedule of payments supported by direct debit mandates. HMRC has tightened its internal rules on what it will allow, so TTP is less of a "soft touch" than when first introduced. Nevertheless, most TTP requests are still successful. Most are agreed on the spot by telephone. TTP is a valuable lifeline for a business in short-term trouble.

In several recent tax cases, HMRC has admitted that it does not look at the vast majority of tax returns it receives. (In one case, HMRC had to admit that the notices were sent out in the name of a tax officer who had retired months before!) The computer has a system of highlighting returns where the figures lack credibility, but in reality, very few tax returns are followed up. HMRC is now seemingly more concerned with receiving returns on time than it is with what is written on them.

Corporation Tax

From 1 April 2011, all corporation tax returns must be submitted on-line using the Inline XBRL protocol, known as iXBRL. This is also to be used by Companies House for filing of annual returns. iXBRL is not a computer language as such, but a form of coding that will make the production of statistics and credibility checking much quicker.

This year HMRC and Companies House launched their joint filing service for company accounts. This may be used for any accounting period that starts after 5 April 2008. There are some restrictions when joint filing cannot be used, such as when submitting cashflow statement or where there are prior year adjustments or foreign income transactions. Joint filing does however allow for the different filing dates, and for the fact that smaller companies may send abbreviated accounts to Companies House but must send full accounts to HMRC.

Corporation Tax Rates

The main rate of corporation tax is reduced from 28% to 27% from 1 April 2011. It will then be reduced by one percentage point each year until it reaches 24% from 1 April 2014. This will make it one of the lowest rates in developed countries, with the notable exception of the Republic of Ireland where the rate is just 12.5%. The Republic's economic difficulties are leading to calls for this rate to be increased. The European Union also wants the rate increased to a rate similar to other countries', a policy its government has refused.

The small companies rate has been more accurately renamed the small profits rate (SPR). This reduces from 21% to 20% from 1 April 2011. This is a reversal of the previous government's policy which was to increase it to 22%. We do not yet have details of what rates will apply from 2012.

The main rate of corporation tax is payable on taxable profits if they exceed £1.5 million. The SPR is payable on taxable profits up to £300,000. Where a company's taxable profit lies between these two figures, it is taxed at a rate between the main rate and SPR.

Capital Gains Tax

From 23 June 2010, there is a higher rate of capital gains tax of 28% payable by individuals who are liable for higher rate income tax. In practice, this usually means someone earning at least £44,000 a year. For other taxpayers, the rate remains at 18%.

This is the first time that this tax has been changed during a tax year since it was introduced in 1965. This change does not affect companies. They pay corporation tax on their chargeable (capital) gains.

There are several practical points to note about this tax. First, most capital gains suffer no tax at all. There is an annual exemption of £10,100, plus another £6,000 for chattels (moveable personal property such as pictures).

Second, it is possible to be liable to the higher rate of capital gains tax of 28% even though you do not pay any income tax at 40%. This is because the rate is determined by the total of taxable income plus taxable gains. So if you have £35,000 of taxable income and £10,000 of taxable capital gains, you are liable to pay 28% tax on your £10,000 gains.

Third, holdover relief and rollover relief can bring a gain into the higher rate. Suppose you buy an asset for £50,000

and sell it for £100,000 in March 2010 — before the rate change. Under certain conditions, you may roll over that relief into buying a replacement asset. Suppose you do, and sell that asset in March 2011 for £150,000. You are liable to 28% tax on the profit of £100,000, even though half of it was realised before the rate increased.

These points provide several opportunities for tax planning, particularly when you have control of when income is received and when gains are realised.

Entrepreneurs' Relief

One of the year's biggest surprises was that entrepreneurs' relief was increased twice this year, once by each government.

The amounts of relief are:

- £1 million from 6 April 2008 to 5 April 2010
- £2 million from 6 April 2010 to 22 June 2010
- £5 million from 23 June 2010

These are cumulative lifetime limits for the taxpayer. Suppose a taxpayer sells his business for a capital gain of £6 million payable in four equal instalments of £1.5 million on 1 May each year from 2009 to 2012. This is how the entrepreneurs' relief is calculated.

On 1 May 2009, the taxpayer receives £1.5 million but the limit is then only £1 million, so only £1 million is allowed.

On 1 May 2010, the taxpayer receives the next £1.5 million. With the £1 million allowed in the previous year, this gives £2.5 million, but the limit is then £2 million, so only one £1 million is allowed.

On 1 May 2011, the taxpayer receives a third £1.5 million. With the £2 million already allowed, this comes to £3.5 million. This is within the £5 million now allowed, so the whole £1.5 million is allowed.

On 1 May 2012, the taxpayer receives the fourth and final payment of £1.5 million. With the £3.5 million already allowed, this brings the total to £5 million which is the current limit (assuming no further changes in the law). So, again, the whole £1.5 million is allowable.

The introduction of the 28% rate of capital gains tax means that the method of giving the relief has changed. Previously, the amount of gain was reduced by 4/9, so that 5/9 of the gain was taxable at 18%. This meant that the gain was in effect taxed at 10%. As this will not work with rates of 28%, any sum within the scope of entrepreneurs' relief is simply taxed at 10% of the whole gain.

Pensions

Last year, it was announced that income tax relief would be restricted to anyone with an income above £150,000. It was subsequently announced that this would be further restricted for anyone with an income above £130,000. These changes were to come into effect from 6 April 2011.

The mathematical rules were complex. After the election, the new government decided to change the rules while still protecting the revenue from the tax change. This was done by reducing the annual limit from £255,000 to £50,000. This means that taxpayers still receive full income tax relief on pension contributions up to £50,000 a year. These rules come into effect from 6 April 2011.

There is also a reduction in the lifetime allowance from £1.8 million to £1.5 million with effect from 6 April 2012.

State Retirement Age

The state retirement age for men and women is to be equalised at 66 from 6 April 2020. For men, the age will rise from the present 65 to 66 over a two-year transitional periods from 6 April 2018.

For women, we are already in a ten-year transitional period to equalise retirement age from 60 to 65 between 6 April 2010 and 6 April 2020. These transitional period will be increased to reach 66 by 2020.

The previous government announced further plans for increases to 67 and 68 later in the century. The coalition government has not made any announcements about further increases in state retirement age, though such increase remain possible, if not likely.

PAYE Proposals

For PAYE, a consultation paper was published this year proposing two possible changes to the system. The first is Real Time Information (RTI). Although this is just a proposal at the moment, subsequent announcements about social security payments have assumed that RTI will be introduced. So it may be advisable to prepare for it now.

RTI basically requires an employer to provide full details for each employee every time a monthly or quarterly PAYE payment is made. At present, the tax collected is handed over every month or quarter, but details of employees are made once a year after the tax year has ended. This means that, for example, the tax on a company car is collected one year after the car is first provided. Prompter submission of employee details will also make paying tax credits simpler and more accurate, and reduce fraud. It is advisable to assume that RTI will be introduced in the next few years.

The second possible change is Centralised Deductions, where HMRC calculates the PAYE and NI automatically for employers. This is much less likely to happen.

We can advise on the prompt submission of tax returns, appeals against penalties, Time to Pay applications, and preparing for iXBRL and RTI. We will also arrange for your tax returns to be filed in time.

Personal Tax – The Basics

Personal allowances

Any personal allowance that is unused at the end of the tax year cannot be carried forward, so it is normal to ensure that as far as possible allowances are covered by your income every year. This is particularly relevant to couples where income taxable on one might be covered by personal allowances if received by the other. However, it is not possible just to 'gift' the income in any year to a partner as tax law prevents obvious avoidance of this nature, so here are some practical ideas, with their limitations.

- Married couples and civil partners can own an income-generating asset jointly. The income from the asset will be assumed to be received 50% each, even where that is not the case. If this suits your arrangements you need do nothing at all. If, however, the underlying asset is owned in any other proportion and you would like the same split to apply to income then you can notify HMRC and the income will be taxed in the proportion of the underlying capital ownership. It is not possible to use this rule if you are neither married nor civil partners. The asset must be

jointly owned for this to work. It is not possible to allocate income in any other way, for example with the husband owning the asset 95% but the wife taking 95% of the income.

- If you want your spouse or civil partner to take all of the income from an asset it will be necessary to transfer the asset into their name. Although it is perfectly acceptable to use this technique to transfer income between spouses, do remember that once given to the spouse or civil partner the asset is then owned by them and is theirs to do what they wish with. It is also important when reallocating assets in this way to be aware of the inheritance tax (IHT) implications. Transfers between spouses and civil partners are tax free for IHT, but it might mean that one partner cannot use all of their nil rate band in their estate. Couples who are not married can also use this, but the IHT implications must be considered more carefully, and there might be a capital gains tax liability on the transfer.
- Where the couple jointly own a business, either a partnership or limited company, there is anti-avoidance legislation designed to prevent very obvious cases of income shifting between the couple. It is not possible to transfer income between spouses by allocating preference shares to one spouse, but if the ordinary share capital is owned in equal shares, then any dividends paid on the shares do not fall foul of the legislation. Generally speaking unmarried couples can use this technique, provided the income passed between them does not benefit the original owner after the transfer or issue of the shares.
- If one partner has a business but does not wish to transfer it into joint names, it might be possible to pay the other a salary from the business and obtain a tax deduction for it against the profits. The salary must be appropriate for the services provided, so should be no more than would be paid to an unconnected person doing the same work. As well as providing a modest income for the partner it could also protect their state pension rights if they are not working in any other capacity. A salary of (say) £5,720 per annum would cover most of the personal allowance of the recipient but would not attract National Insurance contributions. However, as it exceeds the Lower Earnings Limit for NIC it is reported to HMRC at the end of the year on the annual payroll return (form P35) and qualifies as one year's credit for state pension – both basic and earnings related elements.
- If the employed partner plays an active role in the business it is also possible to make pension contributions on their behalf from the business, which again benefits from tax relief. HMRC's guidance on this area indicates that provided the total remuneration package – that is salary, plus benefits, plus pension contribution – is at a commercial rate, it will attract a tax deduction against profits. If the employed partner does not wish to draw a high salary because of the liability to National Insurance contributions, they might wish to draw a combination of low salary plus high pension contribution. Provided the total represents no more than a market rate salary for the role, this will attract a deduction in the business.

The numbers game

The amounts of income you might wish to consider switching will vary according to your personal circumstances. Here are the basic rules:

- The personal allowance for 2010/11 is £6,475 (same as previous year), so ideally you will wish to ensure that it is fully utilised. The allowance rises to £7,475 in 2011/12.
- Remember that tax credits are not repayable on dividends, so dividend income cannot be used to cover personal allowances. A higher rate (40% rate) taxpayer must pay another 25% tax on dividends. From 6 April 2010, an additional rate (50% rate) taxpayer must pay another 36.11% tax on dividends. This provides scope for savings if dividends are transferred from higher rate taxpayers to basic rate taxpayers.
- If you are 65 or over your personal allowance is £9,490 (£9,640 for 75 and over). However, this allowance reduces to the normal personal allowance if your income is over £22,900, by withdrawing £1 of additional allowances for each £2 of income over the limit. This means that taxpayers in this position suffer a marginal rate of 30% tax on income between £22,900 and £28,930 (£29,230 for 75 and over). Transferring income to the partner in this band is therefore particularly useful.
- Taxpayers entitled to age related personal allowances can also reduce their income for the abatement calculation by making donations to charity or making contributions to a pension. Small donations to charity during the year can mount up. Many taxpayers overlook the importance of reporting them on the tax return. Keep a record of all charitable donations you make to ensure that you receive full benefit for them.

  If paying into a pension, gross contributions of up to £3,600 can be paid in any year in which you have no earnings - £2,880 net. In addition to potentially saving tax at 20%, the pension benefits can be drawn immediately by taking a 25% tax free lump sum.

Children and tax

- Children have their own tax allowances and can use these against their own income, but anti avoidance law prevents parents from transferring investments to unmarried children under 18 so that they benefit from the income tax allowances. No more than £100 of income can be transferred in this way.
- If children are employed in a business owned by the parent then income can be paid to them as wages. This is an acceptable route to take, provided legislation designed to protect children from exploitation is observed. National Insurance contributions will be due on the wages paid that exceed the limit (currently £110 per week) once the child is 16. You must observe normal PAYE obligations when you employ a child, so they should complete form P46 and you should put them on the payroll if they are paid more than £97 per week.
- Income paid on a child trust fund investment is not taxable on the child or the parent, even where the invested funds come from the parent.

Tax planning for business owners

Choice of accounting date – sole traders and partnerships

- The choice of accounting date affects the delay between earning profits and paying tax on those profits. When profits are static this delay is not an issue, but when profits are rising this provides a useful cash flow benefit. However, when profits are falling this can make tax payment difficult if business needs have eroded cash that might have been set aside to pay tax.
- An accounting date early in the tax year is a benefit for a growing business, but current economic conditions mean that some businesses might benefit from a change in accounting date to ensure that lower profits come into charge earlier, reducing tax payments. Of course as profits rise again, this might not be attractive, and businesses are not permitted to change accounting date more than once every five years unless it is for genuine commercial reasons.
- The accounting date of a company does not affect the interval before tax is due on the profits as corporation tax is always due for payment nine months after the end of the year, except by the very largest companies.

More than one business?

- When you have several business interests it is important to be aware of the tax implications. The structures can affect the tax liabilities on the business profits.
- When two companies are under common ownership (including companies owned by spouses and civil partners) the small company limits for corporation tax are shared between them. This makes it very much more likely that a successful business will pay the marginal rate of corporation tax (currently 29.75%, reducing to 28.75% in 2011/12) on profits. For example, although the limits are £300,000 for the small company rate, if there were three associated companies, each would only benefit from £100,000 of profits at the small company rate. Two of the companies might only make small profits of around £10,000 per annum, but the third successful company making £250,000 would suffer the higher rate of tax on £150,000 of those profits, in spite of the fact that between the three companies the £300,000 limit has not been exceeded.
- Where related companies are sharing the limits in this way there is still no possibility of offsetting losses between them, so this could be viewed as the 'worst case scenario'. Forming a group of companies allows the losses of one to be offset against profits of the others.

Extracting profits from a company

Whether you are considering extraction of profits from a company on a tax year basis or aligned to the company year end, there are a number of issues that should be considered.

- Salary: National Insurance contributions are expensive but salary can be deducted from taxable profits in the company, so if profits are taxed at the marginal small companies rate (currently 29.75%), there is very little difference between extracting profits by way of salary or dividend for higher rate taxpayers.
- Bonuses: where annual bonuses are payable, the bonus must be due and payable before the company year end, even if the specific amount has not been decided. This is necessary to benefit from tax relief against the profits of the period. The bonus must always be paid within nine months of the year end to secure the tax deduction in the company. Where bonuses are normally paid annually, you might wish to consider the implications of the higher and additional rates of tax and accelerate bonuses into the current tax year if appropriate.
- Dividends: the current effective rate of tax for a higher rate taxpayer on a cash dividend is 25% of the amount received (36.11% for an additional rate taxpayer). This is payable as part of the self assessment liability for the shareholder. Again, accelerating substantial dividends into the current tax year might be appropriate.
- Benefits in kind: some benefits in kind are still quite tax efficient, including the provision of a company mobile telephone and a car with emissions of no more than 120g/km of CO2. In fact if the car has emissions of no more than 110g/km it will also attract 100% first year allowances in the company in the year in which it is purchased new. (The allowance is not available on second hand cars).
- Pension contributions: the same test applies to pension contributions for director shareholders as applies to the spouse of a shareholder/director. Provided the total salary package (ignoring dividends) is reasonable for the input of the director into the company, then all salary plus pension contribution should be allowed against profits for tax purposes. Remember that there is an annual limit on pension contributions. Contributions above this limit trigger a tax charge on the member at a rate of 40%.

Tax efficient investments

ISAs

- You can invest an amount in an ISA every year. The amount invested does not attract tax relief but the income and gains on the investment are tax free, so any taxpayer will benefit from the tax shelter on the income arising. Tax credits on dividend income cannot be recovered.
- The limits for ISA investments are changing. In 2010/11 the limits are £10,200 in total (with up to £5,100 in a cash ISA) if you are aged 50 or over in the tax year. The increased limit takes effect on 6 October. For other savers the limit remains £7,200 (up to £3,600 in cash) until 2010/11, when the increased limits take effect for all savers.

Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT's)

- These two schemes allow ingoing tax relief on investments that are channelled into venture capital for smaller and growing businesses. By their very nature they are considerably more risky than ISA's and other similar investment vehicles.
- The EIS scheme provides 20% tax relief on investments of up to £500,000 in a tax year. Investments can be carried back by up to one year provided the limit in the previous year was not reached.
- EIS shares are exempt from capital gains tax once they have been held for three years.
- Capital gains tax on the disposal of other assets can be deferred by reinvesting the proceeds in EIS shares. This relief is slightly different from the basic EIS relief, as there is no limit on the gain that can be reinvested in this way. However, the tax on the original gain will become payable when the EIS investment is sold. The reinvestment can take place up to three years after (or one year before) the original disposal.
- VCT investments are made through a fund, so the risk on individual investments is spread across the fund. The tax relief is 30% of the amount invested, with a limit of £200,000 in any tax year.
- VCT investments are not subject to capital gains tax if they are held for 5 years. Dividends are not subject to higher rate tax, but the tax credit is not repayable.

Pension contributions

- Pension contributions are paid net of basic rate tax, and the pension provider recovers the tax element. Up to £3,600 per year (gross) may be invested by any individual irrespective of whether they have earnings to match it or not.
- Pension contributions also save higher rate tax for those liable, and this relief is normally given through the self assessment return.
- Tax relief is restricted by both an annual limit and a lifetime limit. The annual limit is being reduced to

£50,000 from 6 April 2011. You may contribute more than this limit, but any addition will not attract tax relief.

Capital taxes

Capital gains tax

- As with income tax, each person has an annual exempt amount, which is wasted if not used. For married couples and civil partners this can be effectively managed by ensuring that assets that are sold at a gain are either jointly owned or that each partner sells some assets to cover their annual exempt amount.
- While gifting assets to a spouse immediately before disposal is acceptable, there are limits on transferring assets in such a way that the end result is circular. It is important that you seek specific professional advice if you intend to do any more than simply sell some assets each to crystallise gains equal to the annual exemption.
- If one spouse has unused losses, these can only be used up against gains incurred by the same spouse, so once again, transfers of assets before sale can reduce the overall tax liability.
- Selling an interest in a business can attract entrepreneurs' relief, and this might also be enhanced when the gain is substantial if both spouses sell the business. Planning in advance of the sale is crucial here – see our guide to entrepreneurs' relief for more details.
- Where you have a holiday home, or have acquired a second home during the year, an election regarding your main residence might be favourable. No election is made when you move house, but only when you actually occupy two homes at different times, but concurrently. This election is time limited so it is important to consider it at the end of the tax year.
- If your business premises are owned personally but used in your company or partnership you might need to review any rent charged for their use during the tax year as this can impact on entrepreneurs' relief available on the disposal of the premises. There is a wide range of tax implications to consider so please contact us for advice if you need it.

Inheritance tax

- Reviewing your inheritance tax strategy on a regular basis is an important part of tax planning, and the tax year end is a good time for a quick 'maintenance review'.
- You have an annual exemption for gifts of up to £3,000, which if not used in one year can be used in the next. This is the total of gifts in any tax year that are ignored in the event of the donor's death within 7 years.
- You might also be able to help your family out with 'normal expenditure out of income'. You will need to review your current tax position to ensure that any regular gifts in excess of the £3,000 are covered by your income, leaving your income sufficient to cover your normal living expenses. This can be a useful way for grandparents to pay school fees for their grandchildren provided there is sufficient income to support this level of generosity. However, this will need careful review this year in case the income from investments has reduced to such a point that the gifts are now being made from capital.
- With the advent of transfer of unused nil rate bands between spouses, you and your spouse or civil

partner should be able to leave up to £650,000 of exempt legacies between you. There is very little you need to do to ensure access to the transferable nil rate band, but if you have been widowed and have recently remarried, there might be some key estate planning steps to take to protect any unused nil rate band of your (or your partner's) late spouse. Nil rate band trusts can still be tax effective for unmarried couples, or where you wish to provide a tax shelter for an asset expected to increase in value significantly.

- Where, as a result of past IHT planning, you are liable to an income tax charge on pre owned assets you might consider paying for the benefit of the asset, thus reducing the tax charge arising. The consequences of this payment on the recipient will need to be taken into consideration.

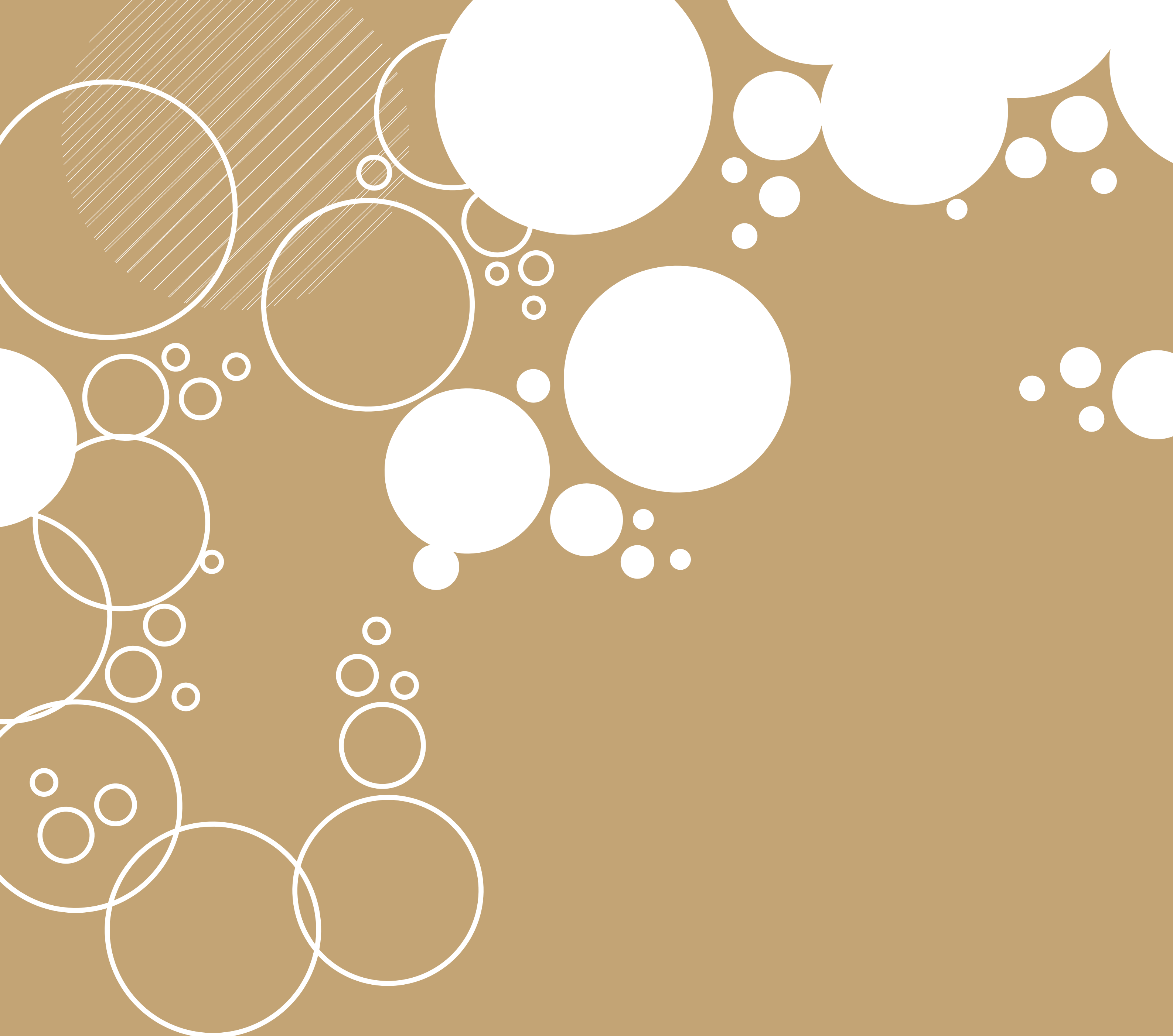
Offshore issues

Going abroad to live

- The tax rules have changed, so you will need to take care if you are hoping to leave the UK and relinquish UK residence for tax purposes.
- As the test of residence normally applies for a whole tax year, if you are planning to leave the UK ensuring that you go in the last few months of the tax year might provide an extra year of non residence once you have established non UK status.
- Planning your visits to the UK in advance is also a good point to start, so that you have some days 'in hand' for emergencies such as an unexpected family event. In some cases visits to the UK can be ignored, but it is wise to plan carefully in the early years after departure.
- You should also be aware that although leaving the UK takes effect for income tax purposes almost immediately, any capital gains realised during the first 5 years abroad can end up being taxed in the UK if you have to relinquish your non resident status.
- You should also realise that living abroad will not in itself put your estate outside UK inheritance tax. UK domicile is difficult to lose, so advice should be taken if you wish to establish a non-UK domicile of choice.

Remittance basis

- If you are not UK domiciled, you will only benefit from the remittance basis if your unremitted overseas income and gains are less than £2,000 or you make a claim. This claim will deny you personal allowances and capital gains tax annual exemption, and might also trigger a £30,000 tax charge.
- All income remitted to the UK is liable to tax in the UK, irrespective of the basis on which you are taxed.
- You might wish to review your tax position in the light of this, especially if you have been resident in the UK for several years, as you might in future be liable to the remittance basis charge of £30,000.



Change of government.
Change of tax
2010/11

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