

LIVING IN HONG KONG BUT THINKING OF SELLING UP AND MOVING TO THE UK?

Matt Braithwaite (Partner at Wedlake Bell) answers some common questions about the UK tax system for those considering moving to the UK. The point to bear in mind is that the UK tax system is a complex one and these answers are no substitute for formal advice on the subject. The primary taxes you need to be concerned about are income tax, capital gains tax and inheritance tax. There is a glossary of terms at the end of this document.

CAN I LIMIT HOW MUCH TAX I PAY IN THE UK?

Possibly. Your residence and domicile status are both relevant for UK tax purposes and will determine how much tax you will pay in the UK.

If you are resident in the UK for tax purposes but not domiciled in the UK (a resident 'non dom') you may be able to claim the remittance basis of taxation. As a resident non dom you only pay UK tax on UK source income or capital gains, and only on foreign source income or gains to the extent you bring (or 'remit') them into the UK.

If you can claim resident non dom status you will only be liable to inheritance tax on any assets you own in the UK but not those elsewhere, including those you continue to own in Hong Kong. If you are treated as UK domiciled or deemed domiciled, you will be subject to inheritance tax on your worldwide assets.

DO I NEED TO SET UP A TRUST?

The issues to consider when deciding whether to set up a trust include: the type of assets you are looking to put into the trust; the value of those assets; passing control of the assets to trustees; and the cost of setting up and running a trust.

Setting up a trust could also have added tax benefits if you are non-dom. This is because as a non-dom you can put non-UK assets in a trust to protect them from being liable to inheritance tax. Whether you are able to do so will depend, again, on your domicile status.

WILL THERE BE ANY UK TAX IMPLICATIONS IF I SELL MY HONG KONG PROPERTY?

Potentially. The tax you need to be aware of is capital gains tax. Whether capital gains tax is payable on the sale of your Hong Kong property will depend on a number of factors but primarily, whether you are tax resident in the UK at the time the property is sold, and whether the property was your family home before you relocated to the UK.

IF I DECIDE TO RENT OUT MY HONG KONG PROPERTY INSTEAD, WILL I BE LIABLE TO TAX IN THE UK ON THE RENTAL INCOME?

This will depend on whether you can claim the remittance basis in the UK. If you are able to then provided you do not bring the rental income into the UK you will not be subject to UK tax on it. You would need to consider your tax position in HK though.

If you are unable to claim the remittance basis then this income will be subject to UK income tax as well as tax in Hong Kong, although the tax rules should ensure that the income is not taxed twice in both countries.





IT SOUNDS LIKE IT'S REALLY IMPORTANT TO UNDERSTAND MY DOMICILE STATUS; HOW DO I GO ABOUT DOING THIS?

In short, you need to seek professional help to determine your domicile status and what steps you can possibly take to strength a non dom claim when you move to the UK. You domicile status will depend on a number of factors, including: where you were born; the domicile of your parents at the time of your birth; your reasons for moving to the UK; your immigration status in the UK; your nationality; and where you wish to live in the future. A thorough analysis of your domicile status is important as the outcome will depend what options are available to you to ensure you are able to move to the UK in the most tax efficient way possible.

I REALISE I NEED TO SEEK UK TAX ADVICE BUT CAN THIS WAIT UNTIL I HAVE MOVED TO THE UK?

No, it is important to seek advice before you come to the UK to understand your domicile position and whether you need to take any steps to improve your tax position before you leave Hong Kong. UK tax advice should be considered in conjunction with any advice you require in relation to your immigration status.

AS WELL AS PROVIDING UK IMMIGRATION AND TAX ADVICE, CAN YOU HELP ME SET MYSELF UP IN THE UK?

Yes, certainly. As a full service law firm we are able to assist you on all aspects of your life including (but not limited to) buying or investment in property and setting up a business. In addition we have an extensive network of contacts across all sectors who can help find properties and schools and assist with opening bank accounts.

GLOSSARY OF TERMS

- **Income tax:** like Hong Kong, the UK imposes tax on sources of income.
- **Capital gains tax:** unlike Hong Kong, the UK imposes a tax on the sale or other disposal of capital assets at a gain.
- **Inheritance tax:** a tax on the value of assets chargeable principally on death but also on certain events during lifetime including when assets are settled in trust.
- **Residence:** for UK tax purposes is broadly determined by a person's days spent in the UK
- **Domicile:** the country a person treats as their permanent home; this can differ to their country of residence
- **Remittance basis:** the ability to only pay tax on foreign income and gains remitted to the UK which are otherwise ringfenced from UK tax
- **Deemed domicile:** a status conferred on persons who may be non-dom but have been resident in the UK for a long period of time; means they are subject to UK tax on their worldwide assets, income and gains.
- **Trust:** an asset holding structure under the terms of which assets are legally owned by trustees for the benefit of others (the beneficiaries).

