

**UNITED KINGDOM**

As per 1 January 2020

Click to download PDF: As per 1 January 2018 (<http://publicationsdrafts.ro/expat-tax-2014/wp-content/uploads/2018/01/UK.pdf>), 2019 (<http://publicationsdrafts.ro/expat-tax-2014/wp-content/uploads/2019/05/United-Kingdom.pdf>)**EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY**

<b>Personal Income Tax Rates – Employment Income</b>	
<b>Tax rate</b>	Progressive personal income tax rates from 20% – 45%. There is a tax free personal allowance (£12,500 in the UK tax year ended 5 April 2021) that is available to UK residents, UK nationals who are non-resident and EEA Nationals. It is also available to individuals who are national and resident in selected countries and in certain circumstances under the provisions of double taxation agreements.
<b>Tax period</b>	6 April to the following 5 April.
<b>Tax residency / Domicile according to domestic law</b>	UK tax residency is determined under the rules of the UK Statutory Residence Test. The rules of the test must be reviewed in order to conclude whether an individual is either automatically non-resident or automatically resident in the UK. For those who do not fall into these categories there is a 'sufficient ties' test which provides a sliding scale for residence based on the number of days spent in the UK and the number of ties an individual has to the UK.
<b>Tax registration</b>	Registration with HM Revenue and Customs (HMRC) is required using Form SA1. Once registered, the individual will be issued with a 10 digit Unique Taxpayer Reference Number (UTR).
<b>Employment income definition</b>	Employment income is split between 'General Earnings' and 'Specific Income' General Earnings includes salary, bonuses and other payments which are equivalent to cash, as well as certain non-cash benefits. General earnings are assessed on the basis of the domicile and residence status of the employee, and the place that the individual's employment duties are performed. 'Specific Income' covers certain types of income that fall outside the general earnings legislation and are assessed under their own specific legislation. The types of specific income most often seen when dealing with expatriate employees are termination payments and company share and share option plan gains.
<b>Examples of tax exemption</b>	Earnings that relate to merely incidental duties e.g. where an employee attends work in the UK for training. Employee mobile phones (one per employee). Medical treatment abroad (employees working outside the UK). Health Screening and Medical check-ups (one per year). Employee meals where available to all employees. Long service awards. Late night taxis.
<b>Specific expatriate concession</b>	Overseas workday relief – relief from UK tax in respect of a non-domiciled employee's workdays performed outside the UK – subject to meeting various conditions. Home leave flights paid for or reimbursed by an individual's employer, for up to 5 years where the employee is not UK domiciled. Travel and Subsistence Relief – deduction for expenses such as accommodation, groceries, local property tax, utilities, travel to and from work – applies where there is an intention to work at a temporary workplace for up to 24 months. Remittance basis of tax for non UK domiciled employees – non UK sourced investment income and gains can be exempt from UK tax if the income/gains are kept outside the UK.
<b>Income of board members</b>	The income of statutory directors is broadly taxed in the same way as employees. There are social security exemptions for board meetings if specific conditions are met. Director's duties can never be 'merely incidental' (and therefore not taxable).

**Tax returns**

Self-assessment tax returns are filed on an individual basis (no joint filing in the UK) by:

- 31 October following the end of the tax year if submitted by paper.
- 31 January following the end of the tax year if filed online.

Late filing and late payment penalties apply.

N.B. not all UK individuals are required to file UK tax returns. However, filing will apply in most expatriate cases.

**Tax payments**

Payment is required by 31 January following the end of the tax year.

Payments on account are required where at least 80% of an individuals tax liability is outstanding after deduction of withheld payroll taxes and the liability exceeds £1,000 by 31 January and 31 July.

**Tax on real estate property****TAX TREATIES****Employment income / income from board members**

Determined under article 15 / 16 of the OECD model tax treaty.

**INTERNATIONAL SOCIAL SECURITY****Cross border employments**

EU Regulation No 883/2004 and EU regulation No. 1408 / 71 and several social security treaties. These treaties however will cease to apply following the end of the UKs' Transition period (ending 11:00pm GMT on 31 December 2020) as part of its' withdrawal from the EU. Negotiations are ongoing between the UK and the EU as to whether any element of these rules will be retained, whether a new EU/UK Social Security Agreement will apply, or whether rules will revert to those for Third Party nationals in both jurisdictions.

**Exception under Art 16 of Reg. 883/2004**

Generally applicable.

**and Art 17 of Reg. 1408/71****Social Security Cost as % from gross salary and absolute amounts**

Employees who receive gross earnings of more than £162 per week are subject to a withholding for Class 1 National Insurance contributions at 12% up to a total earnings limit of £892 per week and 2% thereafter.

Employer social security of 13.8% on earnings above £162 per week (employer's contributions follow the employee's position).

Employer social security on non-cash benefits-in-kind of 13.8%.

**IMMIGRATION****Work permit**

As of 01 January 2021 EU, EEA or Swiss nationals will be subject to Immigration control and will be required to gain a visa prior to commencing work in the same way as all other over sea nationals.

**Visa**

Certain nationals, travelling to the UK as visitors for a period of less than 6 months do not need a visa to enter the UK for certain permitted activities. Some examples of the 'non-visa' nationals are: the US, Canada, Australia, New Zealand nationals among others. The examples of permitted activities include visiting friends and family in the UK or coming to the UK for a holiday, attending business meetings, conferences, seminars, conducting site visits etc. Please note that the UK is not part of the Schengen zone, so Schengen visa holders still normally need to obtain a separate visa for the UK, unless one of the exemptions applies.

**Residency permits / registration certificate**

Currently EU, EEA and Swiss nationals can continue to come to the UK to work up until the end of the transitional period, free from travel or work restriction. The transitional period ends at 11pm on 31 December 2020. Any EU, EEA or Swiss nationals who arrive in the UK before the end of the transitional period must make an application via the EU Settlement Scheme to remain in the UK. The deadline for submitting applications via the EU Settlement Scheme is 30 June 2021. Anyone resident in the UK by the end of the transitional period must apply by this date – the scheme will close to new applicants after this. Any EU, EEA or Swiss nationals entering the UK after the end of the transitional period will be subject to the UK immigration rules in place at the time.

For all nationals, there are various visa categories. Generally speaking, when applying to come to the UK for more than 6 months, an initial entry visa will be issued for 30 days to enable the applicant to enter the UK, and, once in the UK, the applicant would need to collect a Biometric Residence Permit (BRP) from a designated post office. The BRP confirms the full validity of the visa. Durations of work visas can be up to 3 or 5 years, which can be further renewed in certain cases for up to 6 or 9 years, depending on the specific visa category chosen. Certain nationals are also required to be registered with the police within 7 days of entering the UK.

**Driving license**

EU/EEA nationals can drive in the UK on a full, valid driving licence from another EU country (although this may change subject to negotiations with the EU following 31 December 2020). Drivers from other countries can drive small vehicle (i.e. car or motorcycle) for up to 12 months if they've got a non-EU driving licence or an international driving permit. Certain nationals from 'designated countries' (i.e. Australia, Canada, New Zealand, Japan, South Africa, Switzerland, Singapore, South Korea etc. ) who are also UK residents can apply to exchange a foreign driving licence to a UK driving licence.

**STOCK OPTION PLAN**

There are complex rules regarding the taxation of stock options and RSUs. The tax point is generally the exercise date and based on the gain profit over the grant / award to vest / exercise period.

**ARTICLE 15 OF THE OECD MODEL****183 days**

The days of physical presence will be accounted per calendar year, tax year or 12 month period (depends on tax treaty).

**Notion of employer**

Economic and formal employer.

**Existence of a permanent establishment**

The definition of a permanent establishment is determined in the tax treaty.

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