

Returning to the UK



Individuals planning on returning to the UK should consider the potential tax implications well in advance of their return. With careful planning it could be possible to reduce any future tax liability on the Ardan Portfolio Account.

WHEN WILL AN INDIVIDUAL BE CONSIDERED A UK RESIDENT?

Under the UK Statutory Residence Test (SRT) an individual is either a UK resident or a non-UK resident in any particular tax year¹.

If an individual becomes UK resident part way through the tax year it may be possible to split the tax year into two parts (a UK resident part, and an overseas part). This is known as split year treatment.

HOW WILL THE PORTFOLIO BE TAXED FOR A UK TAX RESIDENT?

A gain from the disposal of any chargeable assets will be subject to capital gains tax (CGT). The rate of CGT ranges from 10% (basic rate tax payer) - 20% (higher/additional rate tax payer).

An individual will be able to use their annual exemption as well as any allowable losses against the CGT liability.

Chargeable assets purchased prior to becoming non-UK resident

Assets are not subject to UK CGT on disposal, providing the individual remains non-UK resident for at least five complete tax years.

Chargeable assets purchased after becoming non-UK resident

Assets are not subject to UK CGT providing the assets are disposed of while the individual is also non-UK resident for the tax year in question.

Chargeable assets disposed of in same tax year as returning to the UK

If an individual qualifies for split year treatment then providing the assets were sold during the overseas part of the tax year they will not be subject to CGT.

If the individual does not qualify for split year treatment then the whole gain will be subject to CGT even if this occurred during a period of non-UK residence.

IS THERE ANY RELIEF AVAILABLE FOR A PERIOD OF NON-RESIDENCE?

There is no apportionment applied to capital gains on chargeable assets held by individuals whilst non-UK resident, but realised whilst UK tax resident. Nor is there any form of automatic rebasing of assets of any description when an individual returns to the UK.

Although there is no automatic rebasing of value, it could be possible to rebase the value of any assets prior to becoming UK resident using a process known as bed and breakfasting.

¹ The test is applied year on year

WHAT IS BED AND BREAKFASTING?

Bed and breakfasting is the disposal and reacquisition of an asset. It allows the value of the assets to be rebased.

Although there are a number of restrictions for bed and breakfasting while an individual is UK resident, the same restrictions do not apply to a non-UK resident.

ISSUES FOR CONSIDERATION

The timing of any disposals must be carefully considered when planning to return to the UK. It may be advisable to ensure that any assets that are realising a gain are disposed of during a period when the individual is either:

- / Non-UK resident, or
- / In the overseas part if they qualify under the split year treatment

CAN CGT APPLY IN OTHER JURISDICTIONS?

Although rebasing may be attractive from a UK tax perspective, you must also consider whether or not it would result in a tax charge in the current country of residence.

Tax advice should be obtained in the jurisdiction of residence prior to returning to the UK.

IMPORTANT INFORMATION

The information assumes the following:

- / The portfolio was taken out while the individual was considered non-UK resident under the SRT
- / All assets held in the portfolio, including any that were transferred in-specie were purchased whilst the individual was non-UK resident under the SRT.

Every care has been taken to ensure that the information provided is current and in accordance with our understanding of current law and Her Majesty's Revenue and Customs' (HMRC) practice as at March 2020. You should note however, that we cannot take on the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change.