CHARTER TAX

Helpsheet

Remittances to the UK

Background

Until 5 April 2025, non-UK domiciled taxpayers resident in the UK potentially had a beneficial tax regime available to them which meant that they could only pay tax in the UK on income or gains earned or enjoyed in the UK. This regime was called the "remittance basis" of taxation and was designed to encourage talented individuals to live and work in the UK. This regime has now been replaced by the FIG regime for Qualifying New Residents of the UK – outlined in a separate helpsheet.

Under the remittance basis, nearly all non-UK income and gains not treated by the rules as having been brought to the UK were not taxed in the UK[1].

There was a cost associated with claiming the remittance basis, and this cost increased the longer the taxpayer has been resident in the UK. When the taxpayer had been in the UK for 15 out of the last 20 tax years, the remittance basis was no longer available since the taxpayer became "deemed domiciled" for tax purposes.

The remittance basis was a year-by-year choice. Where the remittance basis was claimed, and funds were / are subsequently brought to the UK relating to income and gains which have not yet been taxed in the UK, it is necessary to tax them in the year they are brought to the UK. This is the case even though the remittance basis is no longer available from 6 April 2025.

Income earned and gains realised before an individual moves to the UK were not charged to tax when brought to the UK and nor were income and gains that had already been taxed in the UK because the taxpayer opted to file on the worldwide (or "arising") basis, provided that clear account segregation procedures have been maintained.

This means that it was – and still is - possible to have a bank account, investment portfolio or some other asset where part of the value would be charged to tax on remittance to the UK and part would not.

Two important questions for the non-UK domiciled taxpayer to understand are therefore: when does a remittance occur, and how you determine what funds are remitted?

What is a remittance?

The definition as to what constitutes a remittance is very wide and can include

[1] One notable exception to this rule was gains on overseas life assurance policies. Such gains were always subject to tax in the UK.

bringing funds to the UK directly and indirectly. Some more straightforward examples are:

- Transferring funds to a UK bank account
- Paying for most sorts of UK property acquisitions (and not just real estate but any type of property, including shares in UK companies/UK company bonds, etc.)
- Paying for items that can be said to be enjoyed in the UK (e.g. paying for somebody to come to the UK to renovate a UK property)
- Bringing non-cash assets to the UK

Taxpayers can easily be caught out by some less obvious examples which are remittances to the UK, including (but not limited to):

- Paying for expenses in the UK on a foreign credit card
- Paying for any foreign expenses on a UK credit card
- Receiving loans abroad that are used to fund UK purchases
- Remittances made by connected parties, such as a spouse/ connected company or trust (see "Who can make a remittance?" below)
- Investing in UK stocks & shares as part of your investment portfolio

Using an overseas credit card for UK expenses is common for non-UK domiciled taxpayers, but paying off the balance from non-UK funds is a remittance of those funds.

Similarly, paying for something from an offshore account but being reimbursed in the UK for this (whether by an employer or other party such as a friend or family member) would be a remittance, since the funds end up in the UK.

Paying for services in the UK using overseas funds would be a remittance. For example, paying your UK accountant's invoice using funds held in an offshore bank account.

Flights are considered a service provided to the taxpayer and, where the flight is to or from the UK, (or stops off in the UK) the service is performed in the UK and this would be a remittance of funds to the UK.

Investing in a UK investment would be considered a remittance to the UK, even if the investment is denominated in a foreign currency. For example, securities in a UK company listed on a foreign exchange are still considered a UK asset.

One further area which requires careful attention is where taxpayers use online banks and e-money services. It can be unclear where money is held in such cases and inadvertent remittances could be made to the UK.

It is always best for taxpayers to check in advance if they are contemplating a transaction (including transactions involving other individuals such as children, companies or trusts as outlined below). Similarly, we can advise if a remittance has occurred if provided with the information about the transaction.

Who can make a remittance?

It is important to note that it is not just the actions of a non-domiciled taxpayer that can create a remittance to the UK.

Any person connected with the taxpayer could potentially create a remittance taxable on the taxpayer. This would include a company that the taxpayer is involved in, a trust for which they (or their family) are a beneficiary, and their close family. The rules here can sometimes give unexpected consequences; for example, certain trust distributions to close family members can still be taxed on the UK resident settlor. Even seemingly innocent situations like a UK company charging a related party for services abroad can have remittance complications.

Certain anti-avoidance legislation also exists and mean that remittances can be traced through gifts. It is therefore not safe to assume that a gift made offshore and then the same funds remitted to the UK (directly or indirectly), is free of UK tax without taking specific advice.

The rules are complex and wide-reaching, so if a taxpayer is unsure about any transaction, they should contact us so that we can assist in determining whether there has been (or would be) a remittance.

Are there any exemptions?

There are some exclusions and reliefs from the remittance rules, summarised as follows:

- Investments in certain qualifying businesses are not considered remitted provided the relevant conditions are met and a claim is made on the tax return
- Payment for certain services performed in the UK but relating to an overseas asset would not be a remittance if paid into an overseas account
- Clothing, footwear, jewellery and watches brought to the UK for personal use are not taxed (unless sold in the UK)
- Objects brought to the UK to be displayed in a museum, or repaired, or which are removed from the UK within 275 days, are not taxable remittances provided the relevant conditions are met
- Items valued at less than £1,000 are not taxable on remittance

How much is taxable?

Where a remittance occurs, the taxpayer must declare this on their return, together with the relevant amount to be charged to tax.

If the remittance is of an object – or from an account – which has a mixture of income, gains and non-taxable amounts, HMRC have a pre-ordained order in which the funds are deemed to be remitted. These calculations can be complex.

There is a different rule for transfers from one overseas account to another, meaning that it is not possible to access the original non-taxable amounts in a mixed account by transferring income and gains to another account. HMRC will treat that transfer as containing a pro-rata proportion of the capital, income and gains held in the mixed account.

April 2025 changes

In her Autumn Budget 2024, Chancellor Rachel Reeves also made a small but potentially significant change to the definition of a remittance. This has two potential knock on effects for taxpayers who have claimed the remittance basis. The impact of these changes is not currently completely clear but could widen the scope of remittances to include services received overseas but which are then enjoyed in the UK, and also remittances to UK when not UK tax resident. We await further clarity on these points, but in the meantime advocate caution if taxpayers are considering using untaxed funds in these two instances. We will be happy to look in more detail at specific circumstances.

Making funds available for remittance to the UK

As part of the rule changes from 6 April 2025, a temporary repatriation facility (TRF) means that taxpayers with overseas amounts not taxed in the UK because of the remittance basis can make these funds available to remit to the UK by designating an amount and paying 12% tax (in 2025/26 and 2026/27) or 15% (in 2027/28). This is a potentially valuable and time limited opportunity and should be seriously considered by any taxpayer who has unremitted funds and wishes to continue living in the UK.

How can we help?

The rules surrounding remittances are extremely complex and this Helpsheet cannot provide all of the detail. The above is only a brief summary of some of the key points for consideration.

Prevention is better than cure, and we can help with planning before making a remittance or arriving in the UK to minimise the impact of the remittance rules where possible. We will also be happy to discuss the options with respect to the TRF and whether this could be beneficial.

We will be happy to discuss your particular circumstances in more detail and provide UK tax advice on your position and any action that can or should be taken.

Please do not hesitate to contact Janet Pierce or Tom Barker at janet.pierce@charter-tax.com or Thomas.barker@charter-tax.com, or call us on +44(0)20 7084 5771.

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Disclaimer

The information provided by Charter Tax Consulting Limited is general in nature and does not constitute specific tax advice. Professional advice should be sought before deciding on a course of action, or refraining from a certain action, arising from the above information. Tax legislation changes regularly and the information contained herein is provided based on legislation as at 28 April 2025.

Taxation planning concerns the application of complex statute and case law to future events. Accordingly, however expert the opinion given, it is always possible that the Courts will take a different view of the application of the law.

We undertake to apply reasonable care and skill in the provision of advice. We do not guarantee that tax planning steps will in all circumstances achieve a certain legal effect.