Helpsheet

Jargon Buster for UK Tax

If you are new to the UK tax system, there are lots of terms that you may come across and need to be familiar with. Some of the articles and helpsheets on our website seek to explain certain aspects in a little more detail, but since there are a number of terms which you are likely to be new to you, we thought we would provide a very brief glossary.

It goes without saying that this is the briefest look at each term, and does not bring out the nuances and complexities for which individual advice is often the only answer.

Tax Residence

The UK has a set of rules to determine if you are UK tax resident for a tax year (6 April to 5 April), and this will affect your UK tax position.

Tax residence can change year on year, and is separate from residence for immigration purposes.

It is possible to be resident in more than one country at a time, or resident in no countries at all.

Domicile

This is an enduring concept and everyone has a domicile, which initially is acquired at birth. It can only change with a permanent change in location and intention to remain somewhere. You can only have one domicile at any time, and you must be domiciled somewhere.

This concept is important for UK tax (see below) and also for how someone’s estate passes on death.

Deemed Domicile

This is purely a UK tax rule meaning that non-UK domiciled individuals are taxed as if they are UK domiciled for one of two reasons:

They have been UK resident for 15 out of the prior 20 tax years

They have a UK domicile of origin and are now back living in the UK after a period of absence

There can be wide reaching tax implications to deemed domicile, and planning can be undertaken before someone reaches this point.

Arising Basis

The default method of reporting worldwide income and gains to the UK for UK resident individuals.

Remittance Basis

Individuals not UK domiciled or deemed domiciled (see above) but UK resident can elect only to be taxed on income and gains arising from UK sources, and income and gains arising outside the UK which are remitted (brought to) the UK.

Where individuals have been UK resident for over seven years, there is an annual charge to this claim, and there is an impact on foreign losses unless an election is made.

It is only possible to go back four years when making a remittance basis claim.

Remittance

Where money or an asset kept overseas is enjoyed in, or brought to the UK, directly or indirectly. This is a very wide-reaching concept, and where the funds brought to the UK have not yet been taxed in the UK because of the remittance basis, there may be a tax liability at the time of remittance.

It is possible to have a taxable remittance in a year when the arising basis applies if the remittance basis has previously been claimed.

Situs

Where an asset is located for various purposes. The rules for where an asset is located are different for different taxes.

The location of an asset is important for understanding whether it will be taxed in the UK, or how it will devolve on death.

For more information, please contact Janet Pierce (**janet.pierce@charter-tax.com**), Tom Barker (**thomas.barker@charter-tax.com**) or Emma Cheeseman (**emma.cheeseman@charter-tax.com**), or call us on **+44 (0)20 7084 5771**.

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