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Residency and the remittance basis charge

Your tax return for the year ending 5 April 2021 shows you have been tax resident in the UK for [7 or more of the previous 9 years] OR [12 or more of the previous 14 years]. You've also claimed (or previously claimed) to be non-UK domiciled.

This means you may need to pay the remittance basis charge of [£30,000] or [£60,000]. However, your tax return for the year ending 2021 did not include this.

Long-term UK residents aged 18 and over who claim the remittance basis may have to pay the £30,000 or £60,000 remittance basis charge. For these purposes, a 'long-term resident' is an individual who has been tax resident in the UK for at least 7 out of the previous 9 tax years or 12 out of the previous 14 tax years.

For more information on tax residence go to GOV.UK and search HMRC6 for rules that applied prior to 6 April 2013. For current rules search RDR3 (post 6 April 2013).

Common errors to avoid

We want to help you get your tax affairs right and avoid unnecessary contact and expense.

The appendices to this letter provide details of the common errors as well as more information about UK residency rules.

Some examples of common errors include:

- not claiming the remittance basis correctly in your Self Assessment tax return (SA109) 'Residence, Remittance Basis etc. supplementary pages'

- not ticking the long-term residency box that applies to the number of years you've been tax resident in the UK

- incorrectly claiming the remittance basis instead of being taxed on the arising basis

What you need to do now

You've already filed your 2020 to 2021 tax return. Please take the action detailed below **within 60 days** of receiving this letter.

Look	1. Look at your circumstances and compare with the details explained in this letter.
Check	1. Contact your agent to get more help and discuss the remittance basis charge that you may need to include in your return. 2. If you need more help, check HMRC's guidance in the Residence, Domicile and Remittance Basis Manual or the Residence, Domicile and Remittances Basis: RDR1 Manual - Go to GOV.UK and search 'RDR1' or 'RDRM'
Act now	Work out the number of years you've been tax resident in the UK and select the option that is relevant to you: 1. If you've been tax resident in the UK for 7 of the previous 9 years or 12 of the previous 14 years you need to amend your return to pay the Remittance Basis Charge. Make sure you check that any remittances you report are complete and correct, as well as reporting your nominated income or gains. OR 2. If the Remittance Basis Charge is due but you would prefer to be taxed on the arising basis you should amend your return and ensure you declare your worldwide income and gains. OR 3. If after your review you believe that your year count is correct, no further action is required. 4. If you find errors in your tax returns for years before 2020 to 2021, you can make a disclosure on HMRC's website. Go to GOV.UK and search 'HMRC Disclosure Service'. Please let us know that you have done this using the contact details at the top of this letter.

Most people who claim the remittance basis want to get things right but don't always understand the reasons why a remittance can occur.

The enclosed examples cover situations when a remittance may occur. They may include some that you've not previously considered. The examples will help you to understand what a remittance is and help you to review your circumstances. Please note this is not a full list of examples.

If you're unsure whether you need to claim or amend your claim to the remittance basis, you should get advice either from your agent (if you have one) or from HMRC.

Further guidance on remittances can be found in Chapter 9 of the 'RDR1' or at RDRM33000+ in the 'Residence, Domicile and Remittance Basis Manual'. These are available online, go to GOV.UK and search 'RDR1' or 'RDRM'.

You may wish to use this opportunity to check your tax return and to make sure it is correct and complete.

Going forward

This letter is not an enquiry notice, however if our information shows that your remittance basis claim could be incorrect, we may open an investigation.

If your claim is incorrect, you may have to pay additional tax and the remittance basis charge. We may charge interest and penalties on any tax you owe.

If after your review you believe your tax return is correct there is no further action required.

If you've any health or personal circumstances that may make it difficult for you to deal with this letter, please let us know. We'll help in whatever way we can. For more information about this, go to GOV.UK and search 'get help from HMRC'.

You can get help from HMRC if you need extra support, for example if you need information in a different format or need help filling in forms. Visit GOV.UK and search 'Get help from HMRC if you need extra support'

If you've an agent, we have also sent them a copy of this letter

Yours sincerely

To find out what service and standard of behaviour you can expect from us, go to GOV.UK and search for 'HMRC Charter'.

HM Revenue
& Customs

What counts as a year of residence?

We count years in which an individual claimed split year treatment as a year of UK residence. This also applies to years in which an individual is dual resident, even if a Double Taxation Agreement says they're treaty resident.

Example

George is a non-domiciled individual who is tax resident in the UK for the tax year 2020 to 2021

- George came to the UK in May 2011 (2011 to 2012 tax year)
- He left to live in Spain in January 2013 (2012 to 2013 tax year)
- He returned to the UK on 12 October 2014 (2014 to 2015 tax year)
- He left to work in the Republic of Ireland on 29 April 2016 (2016 to 2017 tax year)
- He then returned to the UK on 16 May 2018 (2018 to 2019 tax year) and has been resident here since.

George is tax resident in the UK for the tax year 2020 to 2021. He has chargeable overseas earnings of £150,000 in that year which were paid into his Spanish bank account and he doesn't remit anything. For the last 9 tax years he's been tax resident/not resident as shown below.

1	2011 to 2012	Resident
2	2012 to 2013	Resident (the year he went to Spain)
3	2013 to 2014	Non Resident
4	2014 to 2015	Resident
5	2015 to 2016	Resident
6	2016 to 2017	Resident (the year he went to Ireland)
7	2017 to 2018	Non Resident
8	2018 to 2019	Resident
9	2019 to 2020	Resident

George is a long-term resident. If he claims the remittance basis in 2020 to 2021, he will have to pay the remittance basis charge.

For more information about what counts as a year of residence, go to GOV.UK and search RDRM32220.

If you were under 18 on 5 April 2019

The remittance basis charge is only payable by long-term residents aged 18 or over.

However, we count tax years in which an individual is under 18 when working out their years of residence for the '7 out of 9 years' and '12 out of 14 years' rules.

Deemed domicile

If you've spent 15 of the previous 20 years in the UK, different rules apply. For more information about this, go to GOV.UK and search 'Deemed Domicile rules'.

Reporting your foreign income and gains on the arising basis

Using the arising basis, you pay UK tax on:

- income from the UK

- income from outside the UK
- gains from the disposal of your assets, wherever they are in the world

Examples of foreign income and gains which you need to report include:

- interest from foreign savings
- dividends from foreign companies
- income from foreign pensions and property
- foreign employment and self-employment income
- capital gains from the disposal of foreign assets and property

You may have claimed the remittance basis in earlier years and brought the foreign income and gains to the UK at a later date. If so, you'll have to pay UK tax at the time it's remitted. You'll have to pay tax on the remittance even if you do not claim the remittance basis when it's brought to the UK.

If you're on the arising basis, you must declare all your foreign income and gains on your tax return. Even if:

- They've already been taxed in another country
- you don't bring them to the UK

If the foreign income or gains have already been taxed in another country, you may be able to claim a credit in the UK for the tax paid in another country. For more information about this, go to GOV.UK and search for 'HS263'.

Reporting your foreign income and gains on the remittance basis

If you're UK resident but non-domiciled, it may be more beneficial for you to claim the remittance basis. Do decide what's best for you. We recommend that you get advice from an experienced professional adviser if you don't already have one.

We've seen some customers who believe they've claimed the remittance basis but haven't completed the claim correctly. This means their return is showing they're taxable on the arising basis instead.

The remittance basis charge is a tax on part of the foreign income and/or gains that you haven't remitted to the UK. This is paid in addition to any UK tax that's due for the year, and any foreign income or gains that have been remitted to the UK.

Under the remittance basis you'll be taxed on:

- all of your UK income and gains as they arise or accrue each year
- your foreign income and gains if and when you bring (remit) them to the UK, including any property from those income and gains

If you claim the remittance basis and are a long-term resident in the UK (individuals who have been tax resident for at least 7 out of the 9 tax years), you may be liable to pay the remittance basis charge.

The remittance basis charge is an annual charge of (one of the following):

- £30,000 for individuals who've been resident in at least 7 out of the 9 preceding tax years
- £60,000 for individuals who've been resident in at least 12 out of the 14 preceding tax years

Long-term residents who've less than £2,000 un-remitted foreign income and gains in a tax year and wish to claim the remittance basis won't have to pay the charge.

Claiming the remittance basis is not automatic. You must make a claim on the 'Residence, Remittance Basis etc. supplementary pages' of the Self Assessment tax return ('SA109').

You must make sure you fill in Box 28 on the SA109. Not doing so is a common error we're seeing. If you don't tick this box, your remittance basis claim may be invalid.

If you meet any of the long-term residency rules, you must also fill in Box 31 for 12 or more of the 14 years or Box 32 for 7 or more of the 9 years and pay the relevant remittance basis charge.

Nomination of foreign income and gains

The remittance basis charge is a tax on nominated income or nominated gains (or a mixture of the two), made by the individual. Long-term residents who claim the remittance basis and have to pay the charge must nominate their foreign income and/or chargeable gains to be taxed for that year (IT07/s809C). This meets the mandatory requirement that a nomination must be made when making the claim.

An individual can choose to make a nomination of just £1 to meet the requirement.

In order to do this, they must have foreign income and/or foreign chargeable gains in the tax year from which they're making a nomination. Any claim to the remittance basis that doesn't include a nomination is not valid.

For more information about this, go to GOV.UK and search 'RDRM32300'.

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Practical Examples of Remittances to the UK

The examples below are an aid to help you understand when you make a remittance which is liable to tax. There are many ways in which a remittance can occur and the examples cover ways that you may not have previously considered. The examples refer to foreign income but most will apply equally for foreign chargeable gains. Each of the examples results in a remittance that should be reported on your tax return.

Money transfers to the UK are liable to tax when:

- you transfer some of your foreign income from your offshore bank account to your UK bank account
- you withdraw some cash from your foreign bank account (that contains your foreign income) whilst overseas and bring the cash with you when you return to the UK
- you give some of your foreign income to your spouse or civil partner who brings the money to the UK
- you transfer some of your foreign income to the UK account of a registered Charity
- you rent out your holiday home abroad and the customer pays the rent directly into your UK bank account
- you loan some of your foreign income to a company you control overseas or settle some foreign income in an offshore trust. The company or trustees bring the money to the UK
- you inherited money a few years ago that you deposited into a foreign interest-bearing bank account and you transfer some of the money from this account to the UK. Although the inheritance is not taxable when remitted, the account will also contain taxable interest that will be treated as remitted before any of the non-taxable inheritance

Assets brought to the UK are liable to tax when:

- you buy an asset abroad with your foreign income and bring the asset to the UK
- you buy a villa overseas using your foreign income which you then sell for a profit. You then transfer the sale proceeds to the UK. This is a remittance of the foreign income used to originally buy the overseas property as well as the foreign chargeable gain
- you buy a house in the UK (or any other UK based asset) by making a payment of your foreign income to the seller's overseas account
- you buy shares or bonds in a UK registered plc from a foreign broker with your foreign income

Services provided in the UK are liable to tax when:

- you transfer some of your foreign income from your overseas account to the overseas account of a trader who has provided you with a service in the UK
- you buy a return air fare from New York to London overseas using your foreign income
- you book a holiday with a foreign travel agent to sail from Southampton to New York which you pay for with your foreign income
- you transfer some of your foreign income to the overseas account of a friend in exchange for using his cottage in the UK for a week

Use of credit cards is liable to tax when:

- you use a credit card issued by a foreign bank in the UK for day-to-day expenditure and pay the credit card bill offshore using your foreign income
- you use a credit card issued by a UK bank while on holiday abroad and pay the credit card bill using your foreign income

Offshore loans are liable to tax when:

- you take out a mortgage with an offshore bank to buy a house in the UK and make repayments to the bank from your foreign income
- you take out a loan from an offshore bank secured against your foreign income held by the bank and use the money to fund your life in the UK. This is a remittance of the foreign income used as a security when the loan is taken out

Gifts to others are liable to tax when:

- you give some of your foreign income to a business colleague (or any other person) overseas who brings it to the UK and makes it available for your use
- you make a gift of some of your foreign income to your adult son or daughter who lives abroad. Three years later your child gives some of these funds to their 16-year-old child (your grandchild), who spends the money during a visit to the UK

Miscellaneous actions liable to tax:

- You've foreign income from a source that ceased before 6 April 2008. Although the source of the income has been disposed of, the income from it will be taxable if remitted to the UK on or after 6 April 2008
- you close your bank account that holds funds transferred from another account that closed before 6 April 2008 and which contained an inheritance plus interest that accrued to it over many years. You transfer the whole fund to the UK. The amount that relates to the interest credited to all the accounts is a remittance
- you allow a friend to stay in your holiday home overseas, that was purchased with your foreign income and in exchange the friend allows you to stay in his holiday home in the UK
- you transfer some of the foreign income you nominated on your tax return for the purpose of the remittance basis charge to the UK. Although you've already paid UK tax on this income, you'll be deemed to have remitted other unremitted foreign income or gains you have before the nominated income. You may need to seek advice to determine which of your unremitted income or gains will be taxable instead of the income you nominated
- you surrender or dispose of your rights on a life insurance, life annuity or capital redemption policy overseas and keep the proceeds in an offshore account. Any gains on the disposal aren't taxed on the remittance basis and should be reported on your return even though not remitted to the UK

Notes

The above list of examples is not exhaustive; there are many other ways in which remittances can occur.

If you've foreign income or gains that arose in 2007 to 2008 or an earlier tax year they could be affected by transitional provisions.

Some of the example's concern bringing an asset to the UK, to which exemptions may apply.

Further guidance about remittances, the transitional provisions and exemptions can be found in:

- chapter 9 of the RDR1 'Residence, Domicile and the Remittance Basis' - go to, GOV.UK and search 'RDR1'
- RDRM33000 in the 'Residence, Domicile and Remittance Basis Manual' go to, GOV.UK and search RDRM33000