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Answer-to-Question- \_1\_

## Report

To: Alison Rolle

From: Chartered Tax Advisors

Date: 08 May 2025

Subject: Tax Planning for Relocation to the UK

### 1 Introduction

This report addresses the queries surrounding Alison's relocation to the UK for work.

This report is for the use of Alison Rolle only. We do not accept any responsibility for reliance on this report by third parties.

This report has been prepared based on the facts provided and on current tax legislation.

### 2 Executive Summary

#### *Residency and domicile*

- Generally, individuals who are non-UK resident are only within scope of UK tax on their UK income. UK residents are taxable on their worldwide income on the arising basis.

- The statutory residency will determine your residency status.
- As you will be coming to the UK to complete full time work i.e. at least 75% of your employment duties, you will be UK resident under the automatic UK tests.
- You will benefit from split year treatment, by meeting the criteria for case 5, coming to work in the UK full time and you will be UK resident from your first day of work, 11 August 2025.
- The tax year will therefore be split into an overseas part and a UK part. Any overseas earnings received in the overseas part up to 10 August 2025 will be out of scope of UK tax.
- From 11 August 2025, you will be taxable on your worldwide income on the arising basis.
- Your domicile of origin will not be displaced by a domicile of choice in the UK, as you intend on returning to the UK.
- As a non-domiciled individual, you do have the option to claim the remittance basis, so that any overseas income and gains is out of scope of UK tax as long as it is left offshore.
- In doing so, you would lose your personal allowance and annual exemption.

### *Employment contracts*

- Whilst UK resident, and employment duties carried out in the UK will be taxable on

receipt.

- Class 1 NIC will be charged on the UK contract from day 1, whereas there will be a 52 week exempt NIC holiday for the overseas contract.

- The lump sum allowance offered, will be taxable as earnings in full, with the exception of £8K allowance for relocation of employees which is exempt.

- The Housing Allowance will be an exempt benefit, as the accomodation provided will be for the purposes of enabling an employee to fulfil their duties overseas. Therefore it is advsable to opt for this option, plus the relocation allowance with £8K being exempt.

-The UK contract will consist of a salary of £130K gross, producing net employment income after tax and NIC of £80,239

-The overseas contract will consist of £85,000 salary, but will be fully taxable in the UK as duties are performed in the UK producing net employment income of £59,740

-It is advisable to opt for the UK contract as this yields the highest net income.

### *Properties*

- *The Cornwall home will qualify for Principle Private Residence Releif (PPR) as long as it is occupied by either Alison or Eric for a combined 90 days per tax year (fulfilled seperately).*

-*PPR will allow any future gains to be apportioned and exempted for the period of qualifying PRR.*

-We do not recommend that this property is sold, as the gain is minimal (£25K) and you also intend on using the property as the family home whilst in the UK.

-If the Bristol property is sold whilst UK resident, this would result in a gain of £241,500, equating to CGT of roughly £62,620.

-Alternatively, if you sell the property as non-resident and elect for the time apportioned method, you will only pay CGT on the gain between 5 April 2015 - date of sale. This would equate to a gain of £43,496 with CGT payable of £12,179.

-We recommend you sell the Bristol Flat whilst non-resident to save at least £55,441 in CGT later down the line.

-As the Bristol House was purchased prior to April 2015, it does not benefit from the rebasing rules if sold as non-resident.

- The Bristol House is currently at a gain of £80K, but we suggest that this property is retained and rented out, with the view to selling at a higher price at a later date and receiving the higher rental income in the meantime.

### *Other Considerations*

- It might be worthwhile considering private pension contributions with your spare cash in order to obtain tax relief and potentially recoup some of your personal allowance.

- Between the £100K - £125K bracket, the effective tax rate is 60% due to the loss of personal allowances.

### 3 Residency and Domicile

General principles are that UK residents will pay tax on their worldwide income and gains. In contrast to this, non UK residents will only pay UK tax on their UK income and gains.

A person's residency status and ultimately whether they will pay tax in the UK on their worldwide income is decided using the statutory residency test.

The statutory residency test consists of 3 separate tests:

- The automatic overseas tests
- The automatic UK tests
- The sufficient ties tests

#### 2022/23

As only 9 days were spent in the UK for this year, you will be non-UK resident.

#### 2023/24

As you have spent more than 91 days in the tax year in the UK the automatic overseas tests will not be met.

The automatic UK tests will also not be met, as although you had a home in the UK, you also had a home overseas.

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Under the sufficient ties tests, as you have spent 101 nights in the UK during the year, you would need 3 ties to the UK to be UK resident.

We understand that you only had the accommodation tie for the year, so you will be non-UK resident.

2024/25

Again, none of the automatic tests will have been met as above.

Under the sufficient ties tests, as you have spent 90 nights in the UK during the year, you would again need 3 ties to the UK to be UK resident.

We understand that you only had the accommodation tie for the year and a 90 day tie for the year, so you will again be non-UK resident.

2025/26

For 2025/26 It seems you will not meet any of the automatic overseas tests as you will have spent more than 91 days in the UK, with more than 31 of these working.

On the basis you will be coming to the UK to work full time, and at least 75% of your work will be carried out in the UK, you will be UK resident under the third automatic UK test, and resident in the UK.

However, as you have arrived in the UK partway through the year, the split year treatment may apply. The split year treatment splits the year into 2 parts - the overseas part and the UK part. Any income or gains payable to you in the overseas part are out of scope of UK

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tax. In the UK part of the tax year, geenrally you are taxable on your worldwide income and gains from this date.

You will meet the conditios for split year treatment under case 5, whereby:

- You have met the thirst automatic UK test for full time work in the UK
- You will be UK resident for 2025/26
- You were non UK resident in the previous tax year, 2024/25.

As such, you will be UK resident from your first day of work in the UK, 11 August 2025.

As a result, any overseas earnings up to 10 August 2025 will be out of scope of UK tax, but your worldwide earnings from 11 August will be taxable on an arising basis.

You have an domicile of origin in the Bahamas. Once you become UK resdient you will not be deemed domicile in the UK as you will not meet the criteria as a formerley domicile redident having not being born in the UK.

As your intention is to return to the Bahamas and you are unlikely to sever your ties with the Bahamas, it is unlikely that your domicile of origina will be displaced by a domicile of choice in the UK.

As such, as a non-domiciled individual you have the option to claim the remittance basis of taxation. This means your overseas income and gains will not be taxable in the UK unless they are brough to or enjoyed in the UK.

#### 4 Employment contracts



As per the information provided, it seems that your net income from your salary for each contract will be £85K. Therefore we must consider the other factors when concluding the best contract to take.

In terms of the allowane options made available to you, we would summarise as follows.

Option 1: Cash lump sum of £30K

The cash lump sum will be taxable as earnings, but there will be an exemption for £8K of the relocation costs. Therefore your employment income would be increased by £22K.

Option 2 : Housing and local transport allowance + Relocation allowance

Where an employee is provided with accomdiation for the purposes of enabling them to fulfli their employment duties, this would be an exempt benefit.

Again, £8K of the £10K relocation allowance will be an exempt benefit.

On this basis, your income will only be increased by £2,000, representing the non-exempt element of the relocation allowance.

As such, we suggest that you opt for option 2.

Some other considerations are below in respect of which contract should be selected.

*4.1 UK Contract*

*Income from your UK income will be taxed in the UK in full on a receipt basis.*

*You will also be liable to class 1 NIC from your start date of 11 August 2025.*

*Your gross salary of £130K will result in a full abatement of your personal allowance. You will lose £1 of your personal allowance for every £2 of income you have in excess of £100K. Therefore your personal allowance will be lost in full.*

*Additionally, the level of your gross income means you will be an additional rate tax payer, paying tax at 45%.*

*On a UK contract, it's also likely that your flights back home to visit would not be allowable costs and these costs would have to be paid out of your own pocket.*

*You will be auto-enrolled into a UK pension scheme, usually under an occupation net pay arrangement. Therefore, pension contributions will be automatically made for you.*

As per Appendix 3, your net income from employment after tax and NIC will be £80,239.

#### *4.2 Overseas contract (Secondment)*

As a non-domicile individual, you can enjoy the benefit of the remittance basis.

However, remittance basis will only be available on overseas employment earnings if overseas workday relief is available or the duties are carried on wholly outside the UK.

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The latter will not be applicable as your duties are not carried out wholly outside the UK, but as you have been non-resident for 3 consecutive years prior to becoming non-resident, you can enjoy claiming overseas workday relief for 3 years whilst in the UK.

Overseas workday relief allows you to apportion your overseas and UK workdays meaning your overseas workdays are out of scope of UK tax. Whilst we understand that it's likely your duties will be wholly carried out in the UK, you may be required to return to the Bahamas for a period during your secondment for work purposes.

However, as your workdays will be carried out wholly in the UK, your salary of £85K under the overseas contract will be taxed in the UK in full so we have now considered OWR any further.

As there is no double taxation relief with the UK and the Bahamas, unilateral tax relief will be available which is equal to the UK tax due and the tax paid in the Bahamas. However no tax will be paid in the Bahamas, so you will be required to pay tax in full on the £85K salary in the UK.

One benefit is that the Bahamas does not have a reciprocal social security agreement with the UK, you will be exempt from paying class 1 NIC for your first 52 weeks as a UK resident, because,

- You are not ordinarily resident in the UK
- You normally work outside the UK for a foreign employer
- You will be sent on secondment to the UK by your foreign employer

Additionally, as a non-dom on secondment to the UK, your travel costs to return and visit the Bahamas are deductible from salary as you are receiving earnings for duties carried

out in in the UK on the basis that you spend at least of 60 continuous days in the UK working.

As per Appendix 3, your net income from employment after tax and NIC will be £59,740.

#### 4.3 Recommendation

On the basis that the UK contract yields additional net income after tax and NIC of £20,499 annually, we recommend you take the UK contract.

### 5 Properties

#### 5.1 Cornwall home

We understand that the Cornwall property was elected as your principle private resident (PRR) from 6 April 2023 (2023/24).

You can only have one PRR at any given time.

For a property to qualify as your (PRR) for a year, it needs to be occupied for at least 90 days per tax year.

Based on the dates provided, we can see that for the 2023/24 tax year the property was occupied for 101 nights, therefore this will be a qualifying PRR year.

FOr 2024/25, based on the dates provided you have spent 90 days exactly in the property,

therefore 2024/25 will also qualify as a PRR year.

You should aim to spend 90 days per year each tax year in order to obtain the qualifying PRR year.

A married couple can only have one PRR between them. However, the relevant 90 days can be accumulated between you both as long as they are on separate occasions.

Therefore, for example as long as you each spend 45 nights on separate occasions in the property, the 90-day rule will be satisfied.

On the basis that Eric will be residing in the property for 7 nights a week, the 90-day test should be satisfied for you.

PRR will allow any future gains to be apportioned and exempted for the period of qualifying PRR.

### *5.2 Bristol Flat*

Waiting to sell the property until the kids are 18 would likely mean the property will be sold whilst you are UK resident.

As a UK resident, Capital Gains Tax (CGT) will be payable on the disposal of the flat. The gain will be calculated by deducting original cost from proceeds. Assuming the market value is the same when the kids are 18 for illustration purposes, this would result in a capital gain of £276K (£400K - £124K). However, 3 year PRR would be available reducing this gain by £34,500 (based on a sale when the kids are 18), to £241,500.

Ignoring annual exempt amounts for ease, this would result in CGT payable at 28%

equating to £67,620.

Alternativley, you could sell the flat before your arrival in the UK. As a non-resident, you can enjoy the beenfit of rebasing your original cost to the market value at 5 April 2015.

PRR is only relevant from beyong 6 April 2015 when rebasing, therefore 3 years of occupation will not be considered for this method.

Appendix 1 shows the 2 viable options when calculating the gain based on the rebased cost. The default method would produce a gain of £70,000, where the time apportioned method would produce a gain of £43,496.

Taking the lower value of £43,496, the CGT payable on this ignoring annual exempt amounts would be £12,179.

The default rebasing is automatic whilst you are non-resident, but the time apportion method would need to be elected for.

We therefore reccomend in order to save £55,441 in CGT, you should sell the Bristol property whilst you are non-resident.

Please note in either case the sale will be required to reported on a 60-day CGT return to HMRC, with the CGT also payable within this timeframe.

The sale of the propert will also reduce your net taxable income by £9,000, saving you additional rate tax of £4,050 per annum.

## 5.2 Bristol House

The sale of the Bristol House would again be a chargeable disposal for CGT purposes.

As you have never occupied the property, no PRR will be available.

The capital gain will be calculated by deducting the probate value from the proceeds.

Appendix 2 shows that a capital gain will arise of £80,000 if the property was sold now. This would equate to CGT of roughly £22,400.

As the property was purchased post 5 April 2015, there will be no rebasing available and normal CGT rules will apply.

Therefore it will not be significantly beneficial to sell the property now whilst non resident. We would therefore suggest that you retain the property with the view that the market value will have increased when the kids are 18.

On the basis that we have suggested you opt for the housing allowance from your employer, we would recommend that you continue to let the Bristol House out.

Please note, assuming your net profit will be £16,000 goign forward in line with 2024/25, the income tax payable on the profits will be payable at the additional rate equating to £7,200.

## 6 Other Considerations

Although opting for the UK contract will result in you being auto enrolled into their pension scheme, you should consider making private contributions in order to try and mitigate your tax positon.

It would be benficial for you to reduce your adjusted net income as much as possible in order to obtain tax releif. Releif is obtains by increasing your basic rate threshold - your contributions are grossed up and added to your basic rate threshold.

In doing so, you could be obtaining 45% tax releif - it could be worthwhile investing your rental profits into the pension scheme if cashflow is not an issue.

For example, a net contribution of £16K rental profits into your pension would reduce your adjusted net income by £20,000. This would bring your adjusted net income down to £112,000.

In doing so you would re-obtain £6,570 of your personal allowance back, and be saving an effective rate of 60% tax between the £100K - £125 income bracket.

## **Appendix 1 - Sale of Bristol Flat whilst NR (assumed sale 6 June 2025)**

Default Method

Proceeds				400,000
April 2015 Value				(330,000)



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Gain				70,000

### Time Apportioned Method

Proceeds				400,000
Cost				(123,000)
Gain				277,000
Apportioned Gain	$277000 \times \frac{38}{242}$			43,496

### Appendix 2 - Sale of Bristol House (assumed sale 6 June 2025)

Proceeds				600,000
Probate value				(520,000)
Gain				80,000

### Appendix 3 - Employment Income

(UK Contract)

			<b>NSI</b>	
Salary			130,000	
Relocation costs			10,000	
Exempt Relocation costs			(8,000)	
			132,000	
Tax:				
37,700 x 20%	7,540			
87,440 x 40%	34,976			
6,860x45%	3,087			
Total Tax	45,603		(45,603)	
NIC:				
(50,270-12570)x 12%	4,524			
(132,000-50,271) x2%	1,634.58			
Total NIC	6,159)		(6,159	
<b>Net income after tax/ NIC</b>			<b>80,238</b>	

(Bahamas Contract)

			<b>NSI</b>	
Salary			85,000	
Relocation costs			10,000	
Exempt Relocation costs			(8,000)	
			87,000	
Tax				
37,700 x 20%	7,540			
49,300 x 40%	19,720			

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