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Answer-to-Question-_1_

REPORT

To: Alison Rolle

From: Chartered Tax Advisors

Date: 08/05/2025

Subject: Advice in relation to UK assignment and UK properties

INTRODUCTION

This report has been prepared for Alison Rolle only.

Chartered Tax Advisors accept no responsibility for third party reliance on this report.

This report provides advice relating to the tax implications of the proposals only and is not to be considered investment advice. Seperate advice should be obtained in this regard.

This report only comments on the UK tax implications of the proposals and seperate advice should be sought in the Bahamas.

This report follows receipt of Alison's email of 25 April 2025 and is in relation to her queries raised regarding the UK assignment and UK properties.

EXECUTIVE SUMMARY

1 - Residency and Domicile

Alison will be UK resident from 11 August 2025 and subject to UK income tax and capital gains tax on her UK source income and gains from this point. If her overseas income and gains are below £2,000, and these are kept overseas, she will not have to pay UK tax on these as she is not UK domiciled.

She can claim the split year treatment and be treated as non resident to August 2025.

Her employment income whilst working in the Bahamas will not be subject to UK tax, however, she will be taxed on her UK employment duties performed prior to becoming UK resident in the tax year as these are unlikely to be incidental and will be taxable in the UK.

2 - Employment Assignment

Alison's UK employment assignment may be done under a UK or overseas conract. Under both contracts, PAYE will be deducted at source as Bahot has a UK establishment.

On a UK employment contract, Alison would be subject to class 1 primary national insurance on her earnings from 11 August 2025. However, on an overseas employment contract, she will not have to pay UK NICs for the first 52 weeks of working in the UK, saving over £4,000.

She will also have more flexibility under the overseas contract to obtain relief for days worked overseas if applicable for the first 3 years (whilst this is not understood to be likely / regular).

Due to the tax saving on national insurance, it is recommended that Alison undertake the overseas employment contract with Bahot for her 4 year secondment in the UK.

Her relocated expenditure will be taxable to the extent it is not covered by the £8,000 relocation allowance.

3 - Bristol properties

Accepting the offer on the Bristol House would give rise to a CGT liability of £18,480 and cash of £581,520. This could be reduced, given Alison's preference to live in this property, by electing within two years of the property becoming avaialable, and Alison living in the propety in the week, for the property to be Alison's principal primary residence.

Private residence relief will be deductible on a future sale. The timing of the sale will not substantially impact the capital gains tax due.

The Bristol Flat should be sold now, whilst Alison is non resident, to make use of the uplift to the April 2015 value of the base cost. This would leave Alison with cash of £387,442, after paying capital gains tax of £12,558.

The sale would need to be reported to HMRC and tax paid, within 60 days of completion of the sale.

If the Flat cannot be sold prior to becoming resident in August 2025, the sale should be delayed to a period when Alison resumes her non residency to make use of the uplift in base cost, saving substantial capital gains tax.

4 - Other matters

The funds should be given to Eric following the sale of the Flat in Bristol.

If he invests these offshore, he can claim the remittance basis, with no charge, so none of the funds would be taxed in the UK.

As the school is in the US, there is no need for these to be taxed in the Uk if paid directly.

The home in the Bahamas could be tranferred to Eric's sole name if there were any desire to let out the property, enabling him to claim the remittance basis too.

Any other UK income / interest or savings should be in Eric's name to utilise his basic rate band.

MAIN REPORT

1 - Residency and Domicile

An individual has both a residency and a domicile.

A domicile is effectively 'where you belong' and residency is 'where you are'. The residency of an indiviudal determines how and where they are taxed and can change frequently.

A domicile is more permenant. As Alison is intending to only come to the UK for a short period (4 years), she will not obtain a UK domicile status as a domicile of choice. Her domicile 'of origin', inherited from her father, is the Bahamas.

Alison will be UK resident from 2025/26, following her commencement of full time work in the UK.

Residency is tested using the 'statutory residency tests' which are worked through in order until one is satisfied.

Alison will be automatically UK resident under the first and third automatic UK tests. She will spent over 183 days in the UK.

She will also be working in the UK from 11 August 2025.

It is possible to split the tax year between a period of residence in the UK and non residence. This is helpful where there are overseas earnings in the period, to prevent Alison being taxed in the UK on her employment income from the Bahamas.

Whilst the first test is met therefore, we must look to the third automatic UK test which reviews the workdays of an individual commencing full time work in the UK.

It is understood the Alison's first work day was over 3 hours, she will work full time in the UK (for a period of 365 days), at least one of which will fall into the 2025/26 tax year. As work commenced on 11 August 2025, this is understood to be satisfied.

In order for the split year treament to apply, Alison must have been non UK resident in the prior year. It is understood that in 2024/25 Alison spent 90 days in the UK in the tax year (a UK day taken as the location at midnight).

She would need, under the sufficient ties test to have been present in the UK for a period of over 120 days, with two 'UK ties'. Her only tie in 2024/25 was the accomodation tie, therefore she was non resident in 2024/25.

She must be UK resident in the following year - this will be met under the first automatic UK test as she will spend over 183 days in the UK in 2026/27.

Finally, she must not be UK resident under the sufficient ties test for the start of the 2025/26 year.

She has two ties, an accomodation tie and 90 day tie to the UK. She has spent 16 nights to date, intends to spend 7 more working and a family holiday. She must spend less than 50 days in the UK prior to commencing full time work in the UK in August.

Her family holiday in June must be kept below 27 nights to ensure this is the case.

On this basis the split year applies and Alison will not be taxable on her employment income from the Bahamas prior to 11 August 2025.

It next needs to be considered whether Alison's work in the UK in June for one week was 'merely incidental' to her overseas work.

She she is planning to work full time in the UK in due course, is the operations manager and Bahot is planning to set up a UK office, it is unlikely that it would be possible to argue that the work is 'merely incidental'.

Therefore the working week, assuming 5 workdays, will be taxable in the UK, even though Alison was non resident at this point.

UK resident individuals are typically taxable on their worldwide income and gains on an arising basis.

Non domciled individuals can elect to be taxed on the remittance basis. This means that overseas earnings that are not brought into the UK or enjoyed in the UK will not be subject to UK tax.

Alison has not provided details of overseas income or gains, it has therefore been assumed that the annual total whilst UK resident will be less than £2,000. Provided these are not brought to the UK, no tax will be due on these and Alison will continue to be entitled to a full personal allowance. No claim is required, this is automatic.

If income / gains exceed this amount, she may consider claiming the remittance basis which will enable overseas earnings and gains not to be taxed in the UK, provided they are kept overseas, but this would result in the loss of personal allowance and annual allowance.

Alison's UK income will be such that she is not entitled to a personal allowance regardless as it will be mostly or fully tapered due to her income levels in the UK.

If overseas income or gains exceeds £2,000, please advise Sara Gleeson who can provide further information / advice on the remittance basis of taxation. A change of circumstances such as letting out the overseas property or selling will require a review of the remittance basis, but this is not understood to be the case.

Alison's income from UK property sources will continue to be taxable in the UK. Although if income tax has previously been deducted under the non resident landlord scheme prior to becoming UK resident, this will cease from 11 August 2025.

Recommendation

It is recommended that Alison ensure her days prior to becoming UK resident in 2025/26 are below the 50 day period to prevent being subject to UK tax on her full employment income whilst working in the Bahamas and enable the split year residency treatment to apply.

2 - Employment Assignment

Alison has been offered the opportunity to take up a role with Bahot in the UK for a four year period.

Alison has been offered the alternative options to take up a UK employment contract or to stay on her overseas employment contract.

Further, Alison has been offered the alternatives of a cash lump sum of £30,000 to cover relocation expenses or £20,000 for accomodation and transport and £10,000 relocation expenses.

2.1 - Contract - UK employment contract

If on a UK employment contract, income tax would be deducted through PAYE, along with UK national insurance from Alison's first UK workday.

There would be no 52 week delay (discussed below) for national insurance.

All workdays, whether performed in the UK or overseas would be subject to UK income tax as it will be on the same UK contract and perceived to be UK employment income only.

2.2 - Contract - Overseas employment contract

If Alison stays on the overseas employment contract, as Bahat will have a UK establishment and tax presence, Bahat will be required to deduct tax at source on her earnings via PAYE for HMRC.

The Bahamas has no reciprocal agreement with the UK with regards to national insurance contributions.

That means that, provided certain conditions are met, Alison will not be subject to UK national insurance for the first 52 weeks of work in the UK.

The conditions are that:

- Alison is not ordinarily resident in the UK - this is correct, she is ordinarily resident in the Bahamas.

- Alison normally works outside the UK for a foreign employer.

- Alison has been sent to the UK for a time by that employer (short period of 4 years)

- When in the UK, her emlpoyment for that employer continues.

It appears that the conditions are met, therefore under a foreign employment contract, Alison would save national insurance.

This translates to a monthly saving, on a £130,000 salary, of £384 or £4,608 for the year **(Appendix 4).**

Further to this, if Alison receives a cash lump sum of £30,000 or other payment in the first 52 weeks of employment under an overseas contract, this will also escape UK national insurance, providing a further saving.

Alison will be required to pay national insruance from this point, after 52 weeks.

It is understood that Alison's new role is *likely*to be wholly based in the UK, however, if she does occasionally do any overseas days over the course of the first 3 years of her contract, overseas workday relief (OWR) will be available if she claims the remittance basis (as discussed briefly above).

This would require all funds to be paid to the overseas bank account, and, provided this account only contains earnings from this employment (and any interest accruing on this account), provided transfers to the UK do not exceed the proportion of earnings of her UK workdays, this could prevent tax being deducted in the UK.

This offers her flexibility if not all employment income is needed in the UK, and if frequent trips to the Bahamas during school holidays begin to make working entirely from the UK difficult.

If all funds are of course needed in the UK, UK income tax will be payable as normal, and the remittance basis should not be claimed assuming no other overseas income.

The fourth year of the contract will be taxed wholly in the UK regardless of where the workdays are performed. HMRC would be unlikely allow for duties to be split by differing contracts for the fourth year as the motive would be likely to be considered tax avoidance using artifical contracts - as all duties would be substantially the same.

2.3 - Relocation expenditure

Bahot has offered either a £30,000 cash lump sum for relocation to the UK or a housing fund of £20,000 and £10,000 relocation allowance.

Typically, where employees are required to move for their job, the employer can cover expenses up to £8,000 free from income tax. This is available where the £8,000 covers, for example, transport, acquisition expenses etc.

This is available where an employee's duties or location of their duties has altered and the change of residence is to allow the employee to wholly or mainly perform those duties without unreasonable daily travelling distances where the employee's former residence is not within a reasoable distance.

The former residence will be in the Bahamas. The costs to move Alison and her family to the UK will therefore be allowable. This includes the initial travel costs to the UK.

The holiday travel returning to the Bahamas will not be allowable.

It is understood that Alison's belongings were all left overseas so the cost of transferring these is not applicable.

Her costs of travelling from Cornwall, where her family will reside, to Bristol will not be allowable as the office will be her office for a period of four years and cannot be considered a temporary workplace.

The £8,000 will be exempt, to the extent it is allocated against allowable relocation expenditure only, as explained above, and the remainder will be taxable employment income. (If under a UK contract, this will also be subect to class 1 primary national insurance at 2%).

Alison's UK tax position for 2025/26 has been estimated in **Appendix 1**on the basis of living in the Bristol house, letting the Bristol Flat and receiving employment income as included in the notes.

It may be worth discussing the possibility of the provision of a car benefit, although if the cash benefit alternative exceeds the car benefit, the cash benefit would be taxed anyway. This would need to be weighed up against the cost of obtaining a car.

2.4 Recommendation

The use of an overseas employment contract will give rise to national insruance savings for the first 52 weeks of employment in excess of £4,608.

The overseas employment contract will also offer flexibility for working from the Bahamas if required over the first three years of the contract. Whilst it is understood that the role will likely be performed wholly in the UK, this could be useful when returning for school holidays with your family.

It is therefore recommended that an overseas employment contract is retained.

3 - Bristol properties

Alison owns 3 UK properties.

A private residence relief election was made in favour of the Cornwall property on 6 April 2023 and it has had, to date, 2 year of qualifying residence. Alison was in the property, whilst non resident, for a period of 90 days or more in both of the prior two tax years, since the election.

Alison is considering the arrangement of the properties in terms of when to sell them to fund university fees and where to live whilst working in Bristol.

The children will go to university in 2028, when they both turn 18, whilst Alison and Eric will be UK resident.

3.1 - Bristol House

The Bristol house was inherited in October 2022. The tenants have given notice on the property and it is Alison's preference to live in the property whilst in Bristol.

However, an offer has been received to sell the property for £600,000.

If this property were sold, it would give rise to a gain of £80,000. Assuming the remittance basis is not claimed, an annual exempt amount of £3,000 could be deducted, leaving a taxable gain of £77,000.

As a higher rate tax payer, she would pay capital gains tax (CGT) at 24% on this disposal whilst UK resident, costing tax of £18,480 (Appendix 3).

A disposal would need to be reported to HMRC and tax paid within 60 days of completion of the sale.

This disposal would result in the same gain, whether or not Alison is UK resident.

Although, if sold whilst non resident, it may mean that tax is paid at 18% rather than 24% on at least some of the gain, subject to her other UK income sources at the time.

There is no major tax advantage to selling the property now, it is understood that funds are not needed for the twins university fees until after June 2028, and the property is understood to be a in a good position to sell when needed in the future.

Alison's preference is to occupy the property during the working week from August 2025.

As it is understood that the property will become available to Alison to use after the current tenants have left, it would be possible to vary the private residence relief election.

This could be benficial for two reasons, 1 - the Bristol house appears to have increased more in value than the Cornwall property, 2 - the Bristol property is intended to be sold in the next few years to fund university fees, whilst the Cornwall property will be retained for use as a holiday home, meaning that the private residence relief (PRR) on the Bristol property, could be useful sooner.

The election can be made within 2 years of the new property becoming available to live in and must be occupied as the individual's residence at some point during ownership.

As she intends to live there during the week this could be beneficial.

The Cornwall property would still have a minimum of 2 years and 9 months of PRR, and a future election could be made to revert after the Bristol house is sold.

The PRR on the Bristol property could relive up to four years of pro-rated capital gain on a future sale (based on contract length and assumed timing of sale).

3.2 Bristol Flat

The Bristol Flat is currently generating rental profits of £9,000 per annum.

However, based on Alison's annual salary level (Appendix 1), this will be subject to UK income tax of 40% from 2025/26, leaving her with net annual income of £5,400.

Eric has no UK income, he will not be entitled to a UK personal allowance as he is not working in the UK and is not a UK national, but would pay 20% only on any rental income up to £37,700 as he will have no other income which could save 20% income tax.

A transfer between spouses would be at nil gain nil loss, with Eric taking on your base cost of the property, however, whilst this is efficient for income tax purposes, it is inefficient for capital gains tax purposes as Eric would be deemed to acquire the property at the date of transfer, and relief would be loss relating to non residence which is discussed further below.

Transferring the Bristol Flat to Eric is not recommended.

A sale of the Flat in the next few years whilst UK resident would give rise to CGT of £53,100 (as calculated in Appendix 2, referred to as 'retrospective') (based on the current value provided).

It is clear that a property needs to be sold ahead of the twins starting university in 2028, and, whilst funds are not yet required, some of the funds will be required by that date to pay fees up front.

Due to the changes in how non residents were taxed on UK property disposals in April 2015, non resident individuals are taxable on UK residential property disposals, for properties acquired pre April 2015, with reference to their April 2015 value.

(The property must be owned pre April 2015, as the Flat was, which is why transferring to Eric would lose this relief).

The default method is to substitute the acquisition costs of £124,000 for the April 2015 value of £330,000.

Doing so would result in a reduced taxable gain, after deducting the annual exempt amount, of £61,750.

As a non resident with no UK income, this would be subject to UK CGT at 18% on the first £37,700 and 24% on the balance, giving rise to CGT of £12,558. (An adjustment would need to be made for UK property income already using the basic rate band, this can be calculated accurately once income levels are known).

Selling the property whilst non resident will give rise to cash of around £387,442 towards the children's school fees of £800,000.

An alternative of apportioning the gain has also been calculated for demonstrative purposes but this is not beneficial so the default method would apply, with no need for an election.

In all cases, an adjustment for the final 9 months of occupation is allowed as Alison previously occupied the property as her primary residence.

Non resident indiviudals are typically not required to pay UK CGT, however one of the exceptions is where there is a disposal of UK land or property.

The gain will need to be reported and CGT paid within 60 days of completion of the sale.

Delaying selling this property until 2028, when Alison will still be UK resident, will result in additional CGT of around £40,500.

3.3 - Cornwall property

Private residence relief will be available against a future sale as explained above, but it is understood that there are no immediate plans to sell the property and ERic and the chidlren will live here whilst Alison works in Bristol for the next four years.

3.3 - Recommendations

It is recomended that Alison varies the private residence relief election from the Cornwall property in favour of the Bristol house within 2 years of this being available to her to live in.

This will mean that on a future sale in, or following 2028, private residence relief will be available from August to the date of sale (or election of another property, plus final 9 months, if earlier).

This should reduce the taxable gain on disposal of the property to fund the chilrens school fees.

It is recomended that prior to becoming UK resident in August, given that the agent believes the property could be sold without delay, that the flat is sold now, prior to becoming UK resident to benefit from the base cost uplift to April 2015 value.

If this is not possible, the sale of the flat should be delayed until non residence resumes from 2029 when Alison returns to the Bahamas.

4 - Other matters

4.1 - Sale proceeds

As mentioned above, Eric will not have a personal allowance in the UK, however as he has no other income, any income received up to £37,700 will be subject to UK income tax at 20% (whilst Alison pays tax at 40%).

Therefore, assuming the Bristol Flat is sold in line with our advice, prior to becoming UK resident, the proceeds should be gifted to Eric to invest. Any dividends, intrest or other income arising would then be taxable on Eric, rather than Alison.

As the funds are not intended to be spent in the UK, but instead in a US school, they could instead be invested by Eric into an overseas investment, in which case he could claim the remittance basis, meaning that no income tax or capital gains tax would be charged in the UK.

When transferred to the US to pay for the school, the funds should be paid directly from the overseas source to the US school and not via a UK account to prevent a remittance occurring.

As a non domiciled individual who has been resident in the UK for less than 7 of the last 9 tax years, there will be no remittance basis charge for doing so.

Any funds remitted to the UK will be subject to tax at 20% as non savings income (or CGT rates), still lower than if Alison was to remit the funds / have claimed the remittance basis.

Transferring the funds would be an exempt transfer for inheritance tax as they are both married and not deemed domicile in the UK.

4.2 - Barbados property

Alison could transfer her share of the Barbados property to Eric. This would be a nil gain nil loss transfer as they are married.

There would be no stamp duty to consider as the property is not mortgaged.

Eric could then let the property as short term lets whilst they are in Cornwall, enabling Eric and his family to continue to use the property as a holiday home.

Any income could be left overseas and the remittance basis claimed as above. Any income remitted would be taxed at 20%.

4.3 - Any other UK income

Any other UK income / interest or savings should be in Eric's name to utilise his basic rate band (20%), and prevent it being taxed on Alison at 40% or even 45% from 2026/27.

Next Steps

Once Alison has had time to review the advice, it is suggested a follow up meeting is arranged to discuss any queries.

APPENDICES

1 - Alison's UK Tax Position 2025/26

	NSI		
UK workdays	1,635		85,000 / 52
UK employment contract	86,667		130,000 / 12 x 8
Lump sum	22,000		
UK property income	14,333		W1
Total income	124,635		
Personal allowance	(253)		12,570 - 24,635/2
Taxable income	**124,382**		
37,700 @ 20%	7,540		
86,682 @ 40%	34,673		
Total	**42,213**		

W1 - Property income assumed to be the same as 2024/25, pro-rated for occupation from August 2025 of house.

16,000 x 4/12 = 5,333

Plus £9,000 = £14,333 total

2 - Capital Gains Tax on Bristol Flat

	Default	Time apportioned	Retrospective / whilst UK resident	
Proceeds	400,000	400,000	400,000	
Costs	0	(1,000)	(1,000)	
Base cost	(330,000)	(123,000)	(123,000)	
Gain	70,000	276,000	276,000	
Less pre April 2015	0	(138,000)		10/20 years x

				276,000
PRR	N/A	N/A	(41,400)	Pre April 2015 / 3/20 x 276
Final 9 months PRR	(5,250)	(10,350)	(10,350)	0.75/10 x 70k 0.75/20 years x 276k
Chargeable gain	64,750	127,650	224,250	
Annual exemption	(3,000)		(3,000)	
	61,750		221,250	
CGT @ 18%	6,786			
CGT @ 24%	5,772		**53,100**	
	12,558			

3 - Capital Gains Tax on Bristol House

	£		
Proceeds	600,000		
Base cost	(520,000)		
Gain	80,000		
Annual exemption	(3,000)		
Taxable gain	77,000		
CGT 24%	18,480		

4 - National insruance monthly

£130,000 / 12 = £10,833

£10,833 - 4,189 = 6,644

6,644 x 2% = **£133**

£4,189 - £1,048 = 3,141
3,141 x 8% = £**251**

Total - **£384 (**251+133)
£4,608 for 12 months.