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OUR GUIDE TO

# UK TAX PLANNING





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Tax planning is a key element of your broader financial planning. It is the process of helping to ensure you are as tax-efficient as possible.

For expats, tax planning is crucial due to the complex situations that arise from living abroad.

## Tax residency explained

As an expat, understanding your tax residency status is essential.

There is no personal income tax in the UAE. However, you may still be liable for tax in the UK.

The UAE Ministry of Finance issues tax residency certificates if:

- You can prove that you have resided in the UAE for more than 183 days during that tax year

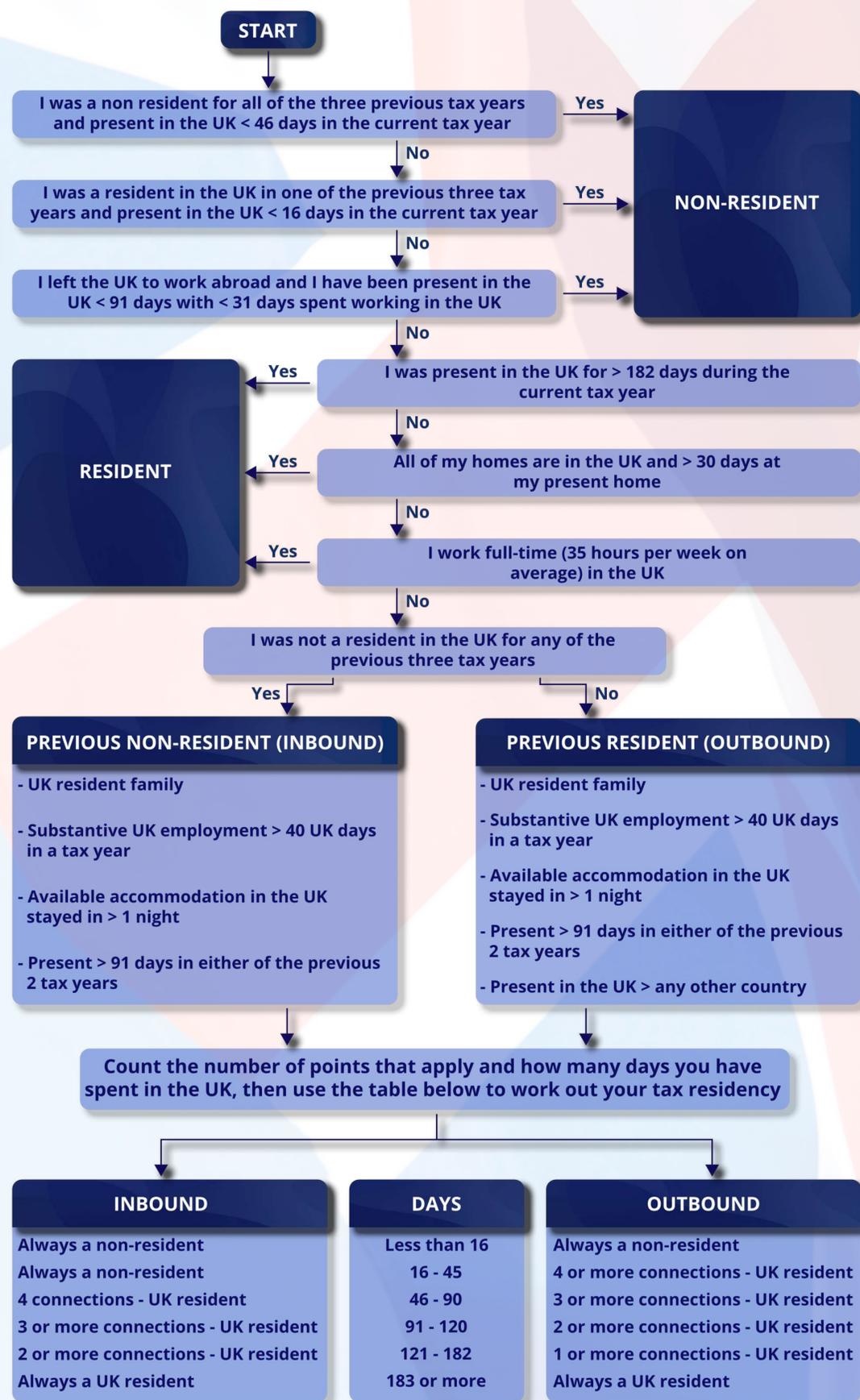
Depending on your situation, you may still be considered a tax resident in the UK, even if it is not your permanent home.

You will automatically be classed as a tax resident in the UK if:

- You spent 183 days or more in the UK within a single tax year or;
- Your only home was in the UK - either you rented, owned or lived in it for at least 91 days - and you spent 30 days there within the tax year

Some people may have a more complex situation. The rules listed above will not be enough to determine everyone's status. The Statutory Residence Test (SRT) allows you to determine your residence status for each tax year.

# The Statutory Residence Test



The topic of tax residency can be complicated, but it is essential you know this information. For more details on the SRT, visit the UK Government website.

You may meet the residency criteria for both countries. Fortunately, the UK has a double tax treaty with the UAE. This means you will not be taxed on the same income twice.



## Inheritance tax

Inheritance tax (IHT) is the tax you pay on the estate of someone who has died. Someone's estate may include anything from property to cash and investments.

In the UK, the IHT rate is 40% for anything over the tax-free threshold of £325,000. If your permanent home is outside the UK, IHT applies to your global assets.

The laws around IHT are complex and will depend on your personal situation. It is best to speak with an expert to minimise the amount of IHT your heirs pay.

## Capital gains tax

When you sell an asset that has increased in value, you pay Capital Gains Tax (CGT). As the name implies, the tax does not apply to the money you receive, only the amount you gain. Each tax year, you are given a CGT allowance which is currently set at £12,300 per year.

As an example of how CGT works, if you buy something for £10,000 and sell it for £30,000, you'll pay CGT on the £7,700 you gained on the asset - £20,000 gained minus your £12,300 CGT allowance.

Like income tax, UAE nationals and residents do not pay capital gains tax. However, you may still be liable for CGT in the UK. If you are classed as a UK resident, you will:

- Pay CGT on UK assets
- In some cases, pay CGT on global assets

Temporary non-residents may be liable for CGT when they return to the UK. This is often the case for expats who live abroad for several years and then return to the UK.

Non-residents may also be required to pay CGT on the sale of land or property. However, this situation is a little more complex.

In general, non-residents pay CGT on the sale of all UK land and property. How much depends on the type of property and when it was purchased.

Your CGT liability and to what extent is determined by your residency status. Understanding your residency status can be complicated. If you are unsure, it is best to consult a professional for more information.

## How Holborn can help

Tax planning is essential to ensure you are as tax-efficient as possible.

Expats often have to contend with complex cross-border tax laws and rules that make it a challenging task.

Holborn Assets is a leading, award-winning financial services company. We specialise in the expat market, providing quality, independent financial advice and wealth management solutions.





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