



HOLBORN

OUR GUIDE TO

Asia Tax Planning

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

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

Right money

Right place

Right time

Tax residency explained

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

Tax residency is one of the factors used to determine what tax a country applies to a particular type of income or gain. This includes your worldwide income, such as capital gains, salary and rental income.

Each country has different criteria for determining tax residency.

Vietnam

You are considered a resident of Vietnam if you meet one of the following criteria.

- You resided in Vietnam for 183 days or more in either a calendar year or the 12 consecutive months from the date of your arrival or;
- Your permanent residence is in Vietnam, and you cannot prove tax residence in another country. This includes:
 - A registered residence recorded on your permanent/temporary residence card or;
 - A rented house in the country with a lease term of 183 days or more in a tax year

You are considered a tax non-resident in Vietnam if neither of the conditions is met.

Vietnam tax residents are taxed on their worldwide income. Meanwhile, tax non residents are only taxed on income sourced in Vietnam.

The Philippines

If you are an expat in the Philippines, the length and nature of your stay determine your residence status.

Most expats will fall into one of two groups - resident aliens and non-resident aliens.

A resident alien is someone who is either stateless or a national of another country but lives in the Philippines. As an expat, if you work in the country for an indefinite period of time, you will likely fall into this category.

However, if you work in the country for a specified period, you will likely be considered a non-resident alien.

If you stay in the country for more than 180 days in a calendar year, you will either be classed as:

- A non-resident alien engaged in trade or business within the country
- A non-resident alien not engaged in trade or business within the country

Malaysia

The number of days you are present in Malaysia determines your tax residency status.

In general, you are regarded as a tax resident if:

- You are in the country for 182 days or more during one or multiple periods in a calendar year

Both residents and non-residents are taxed on Malaysian employment income.

Instead, residency status determines how much tax you pay.

Thailand

You are considered a resident of Thailand if:

- You reside in the country for a total of 180 days or more over one or more periods in any tax year.

Only residents are taxed on their worldwide income. Meanwhile, non-residents only pay tax on income sourced within the country.

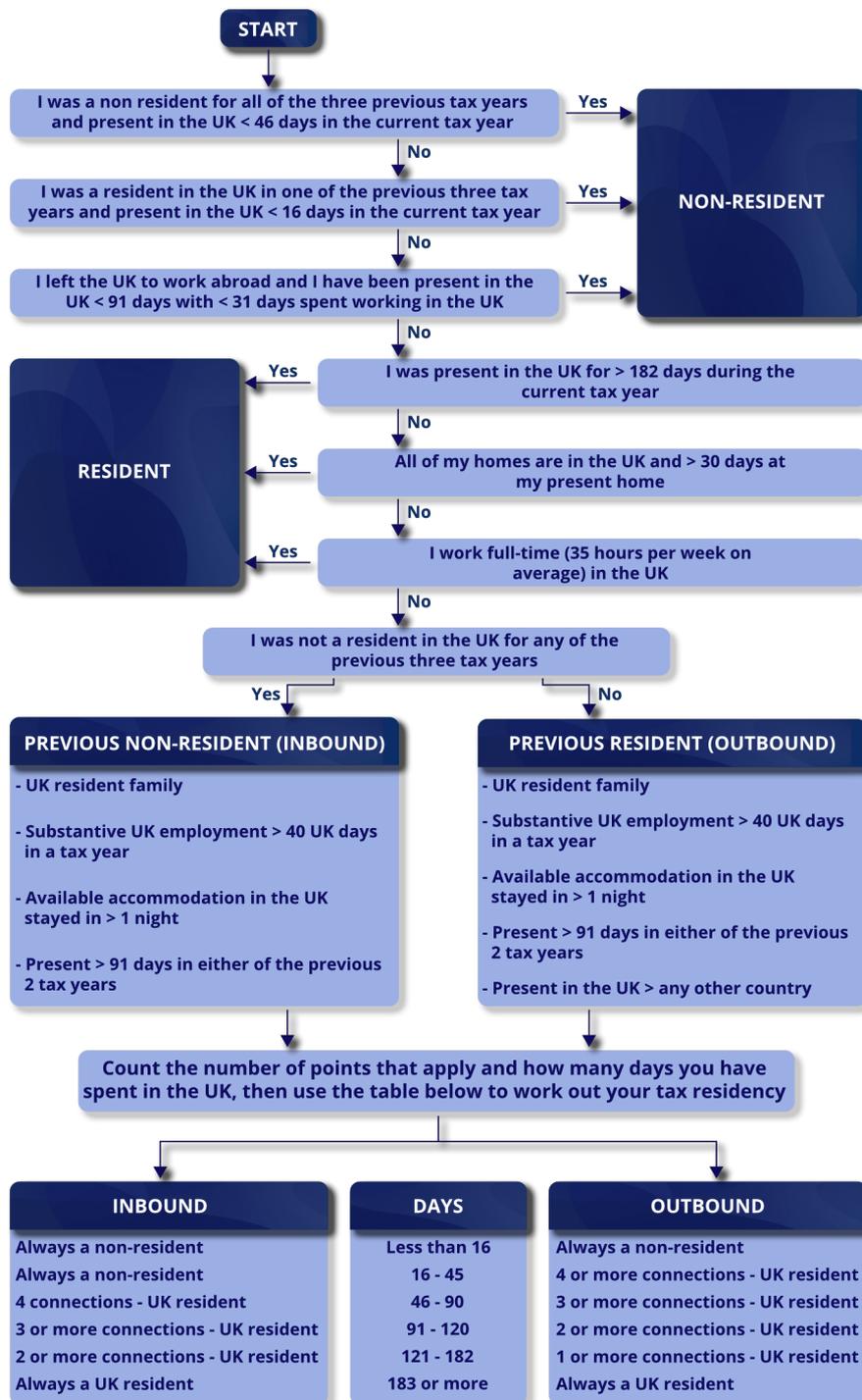
Depending on your situation, you may still be considered a tax resident in the UK, even if it is not your permanent home.



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, and the above rules will not be enough to determine everyone's status. The Statutory Residence Test (SRT) allows you to work out your residence status for each tax year.



The topic of tax residency can be complicated, but understanding yours is vital. For more details on the SRT, visit the UK Government website.

There are situations where you may meet the residency criteria for the country you are living in and the UK. However, the UK does have double tax treaties in place with over 100 countries. These include Malaysia, Thailand, the Philippines and Vietnam.

A double tax treaty aims to stop the same income or gains from being taxed 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 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, currently set at £12,300 per year.

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. Doing so helps to ensure you are as tax-efficient as possible.

Expats often have to contend with complex cross-border tax laws and rules, making it challenging.

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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