



A LESS TAXING LIFE IN THE SUN

It is estimated that more than 5.5m Britons have moved to live or work overseas in the past decade (Source: Institute for Public Policy Research, December 2006). The most popular destinations include Spain, France, Portugal and Cyprus – not places that most people would immediately associate with tax havens.

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For most people, tax havens evoke images of film stars, sports stars, luxury yachts and champagne. But you do not have to be a formula one racing champion to mitigate tax nor do you have to move to exclusive locations such as Monaco or the British Virgin Islands.

With some careful planning there are significant savings to be made on income tax, capital gains tax and inheritance tax in countries that do not appear to be exotic offshore tax havens. France, Spain, Portugal, Malta, Cyprus and other popular European destinations have their tax advantages too.

Unfortunately tax is a bug bear most of us have to face - wherever we live - and it is paramount that if you are considering living overseas you should seek specialist tax advice otherwise it could end up costing you much more than you bargained for.

The key factor behind many tax issues for those leaving British shores is residence. If you are a UK non-resident you will get

some tax advantages, as you no longer have to pay UK tax on your foreign earnings and certain UK income. Equally, you are exempt from UK capital gains tax as long as you remain non-UK resident for five complete tax years or earlier if realising gains on assets acquired after you left the UK.

The general rule of thumb is that you will pay UK income tax and capital gains tax as long as you are a UK resident. When coming to the UK, in the eyes of HMRC, you are deemed a UK resident if you spend 183 days per year or more in the UK, or your visits to this country average 90 days or more over four years.

However, when leaving the UK matters become more complex. While you can continue to visit for up to 90 days, it is important to be cautious as a recent Court of Appeal decision has highlighted the potentially dire tax consequences that can result from relying on such a simplistic approach to your tax residency. The real crux of the decision is not purely about day counts, but about the quality and extent to which an individual has severed his or her links with the UK in attempting to become resident elsewhere.





There are no universally applicable shortcuts nor absolute guarantees in establishing yourself as non-UK tax resident, unless you fall firmly within HMRC's examples. It will be for HMRC to make a decision on your residence based on its own investigations and interpretation, so 'full-time' employment or a 'permanent or indefinite' departure from the UK in your eyes may fall short of the Revenue's expectations.

It remains the case that a distinct break with the UK for a considerable period (at least one whole tax year, and preferably more) is by far the best way to secure your non-UK resident status. But if you want to maintain links to the UK, which must in any case be extremely limited, especially at first, there are various factors that you should bear in mind.

These include where your family is living, whether you have maintained a residence in the UK (particularly if it remains available for your use), whether you have established a permanent residence abroad, where your bank accounts and credit cards are and where your social connections including club or other memberships are based.

It is important to remember that, even if you are successful in establishing a residence abroad, this will not of itself mean that you are not UK resident: it is possible in English tax law to be resident in more than one place at the same time.

In the absence of a binding statutory test for residence, those wishing to acquire and/or retain residence exclusively outside the UK must be wary of how HMRC might interpret all aspects of their lifestyles. As it stands, the legal situation can be difficult to negotiate and more intrusive than you might imagine.

The overriding message is simple: get expert advice. It could save you money.

The chances are that wherever you lay your hat you will have to pay some tax. But just as in the UK specialists help millions of people pay less tax than they might otherwise, so too can experts who understand overseas tax and residency rules. The levels and bases of taxation and reliefs from taxation can change at any time, depends on individual circumstances and is subject to changes in legislation. The overriding message is simple: get expert advice. It could save you money.

COMPLIMENTARY GUIDES

INHERITANCE TAX	WEALTH MANAGEMENT	RETIREMENT PLANNING
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