

# Stepping Stones

## An American's guide to tax in the UK

### Coming to the UK

The UK has a set of complex tax legislation affecting those who come to live in the UK, especially those with high investment income levels. These rules can be made to work for you rather than against you, but you need to plan in advance.

**Have you thought about...**

The Remittance Basis rules?  
UK planning hand-in-hand with US tax and financial planning?

### Full-time job

You've started earning money. Happy days! As an American, unless your earnings are very low, you will still need to file US tax returns. However, you shouldn't have any US tax to pay if you're already being taxed on it in the UK. Pension schemes are an excellent way to save tax in the UK, but you must be aware of the US implications.

**Have you thought about...**

Checking tax deductions?  
Starting a pension scheme?  
Maximising benefits?

### Bank account in the UK

You now have a bank account in the UK to receive your employment income, perhaps generate a bit of interest income too.

**Have you thought about...**

Reporting the existence of non-US accounts on an FBAR?  
Declaring any interest income on your US return?

### Year-end planning

Americans will offset their US taxes using their UK taxes. To achieve this often means ensuring that they pay their UK taxes in the same calendar year income is generated.

**Have you thought about...**

Each calendar year, review your income and gains in the year to determine whether the UK tax is due. If due, pay it by 31 December?

### Pensions and investments

Contributing to a UK pension is an excellent way to minimise UK taxes. Even better, the UK does not tax any growth in the pension plan until you take money out (25% of which is tax-free!) From a US perspective, there can be complications, though often they can be made to work and result in a global tax-saving. Investments wise, to avoid any nasty financial surprises later on down the line it's essential you're aware of the tax implications.

**Have you thought about...**

Pension planning?  
Making use of your annual pension allowance?  
Review of your investment plans from a US and UK tax and financial perspective?

### Becoming a homeowner

Congratulations – you're getting onto the property ladder. Be sure to check the US and UK implications if you sell the property or later rent it out.

**Have you thought about...**

How to finance?  
Letting it out?  
Making a will?  
Consequences if you sell?

### Setting up a business

Have you decided that being managed isn't for you? Becoming self-employed or starting a company brings with it a whole bunch of new financial implications. For UK companies owned by Americans, there are also significant US tax considerations.

**Have you thought about...**

Self-employment vs creating a company?  
US tax implications?  
Making a "check the box" election for US purposes?

### Children

Can be expensive. Start making financial arrangements early to ensure you're well equipped to provide for them. Should you be thinking about appointing guardians or insurance?

**Have you thought about...**

Appointing guardians?  
School fees payment and planning?  
Insurance for you and your partner?

### Marriage or remarriage

Have you considered changing your will or putting plans in place to provide for your children or stepchildren? If an American marries a non-American, there are lots of tax implications to be aware of.

**Have you thought about...**

Making a new will?  
How best to provide for your children and stepchildren?  
Understand the implications of being married to a non-US person?

### Wills and estate planning

There can be many legal and tax implications in the US and UK that can arise for a US person living in the UK.

**Have you thought about...**

Have a will drawn up by a US-UK specialist lawyer?  
Choose executors?  
Inheritance (UK). Estate and gift tax?

### Divorce

While this is difficult to plan for, when it happens, there are several financial implications, especially when married to a non-US spouse. Splitting of assets and pension must be considered thoroughly from the US and UK perspective.

**Have you thought about...**

Asset splitting?  
How to finance the settlement?  
US tax issues?

### Becoming beneficiary of a trust

The taxation of trusts in the UK and US is complicated, and you will want to ensure that you don't get hit by double taxation.

**Have you thought about...**

Expert US/UK advice on trust issues is often necessary to determine the correct reporting?

### Retirement

Have you reviewed how you will extract monies from your pensions and investments?

**Have you thought about...**

Pensions and investments review?  
Inheritance tax planning?

### Failing to stay US tax compliant

Some Americans are blissfully unaware of their US tax and reporting obligations while in the UK, but fortunately for these people, it is possible to get back into the system.

**Have you thought about...**

Bringing yourself up to date using the IRS streamlined procedures?