

# STEPPING STONES

Our Expatriate Tax Team is ready to help you plan your future, whatever it entails.

Life is full of change. Whether big or small, planned or spontaneous, each new phase in life arrives with its own financial implications. If you're an American currently living in the UK, or about to arrive, there are a number of things to consider to ensure you are compliant with your UK and US obligations, and also minimise the financial implications.

We will always do our best to know about life changes of our clients, but you'll inevitably be aware of any upcoming changes far before us so let us know to allow us to help you plan for the future.

The following aims to highlight common issues that Americans living in the UK may face and the financial implications that typically partner them.

## WHAT'S HAPPENING



### 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 levels of investment income. These rules can be made to work for you rather than against you, but you need to plan in advance.

#### Have you considered these?

- The UK "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, though you shouldn't have any US tax to pay if you're being taxed on it in the UK. Pension schemes are a good way to save tax in the UK but you must be aware of the US implications.



#### Have you considered these?

- 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 considered these?

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

#### Have you considered these?

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



### 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.

### 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.

#### Have you considered these?

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

Investments wise, to avoid any nasty financial surprises later on down the line it's important you're aware of the UK tax implications for US investments and vice versa.



### Setting up a business

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



#### Have you considered these?

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

### Becoming a homeowner

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



### Marriage/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 tax implications to be aware of.

#### Have you considered these?

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

#### Have you considered these?

- How to finance
- Letting it out
- Making a will if not already done
- Tax consequences if you sell

#### Have you considered these?

- Appointing guardians
- School fees payment and planning
- Insurance for you and your partner
- Use of US 529 plans can allow you to save for your children's education

### Children

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?



### Divorce

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

#### Have you considered these?

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

### Failing to stay US tax compliant

Some Americans are blissfully unaware of their US tax and reporting obligations while in the UK, but fortunately these people may be able to efficiently get back into the system.



#### Have you considered these?

- Bringing yourself up to date using the IRS streamlined procedures

#### Have you considered these?

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

### Wills and Estate Planning

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



#### Have you considered these?

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

### Becoming beneficiary of a trust

The taxation of trusts in the UK and US is complicated and you will want to ensure that there is no double taxation.

#### Have you considered these?

- Pensions and investments review
- Inheritance tax planning

### Retirement

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

