

UK PERSONAL TAX COMPLIANCE

Introduction

The Self-Assessment (SA) regime was introduced in 1997 and despite proposals for an overhaul, there is currently no timetable for change. As financial institutions now share information directly with HM Revenue & Customs (HMRC), it is more important than ever that UK personal tax compliance obligations are recognised and disclosures made on a timely basis.

Appointing a UK tax agent

Appointing an authorised tax agent who can liaise directly with HMRC and file returns on your behalf is a means of ensuring that you are meeting your compliance obligations. With increasing amounts of disclosure required, it is very easy to make an innocent error that could result in a tax enquiry that is time consuming and potentially costly if interest and penalties are levied.

It is not all about defending your position, an agent can communicate with relevant third parties to obtain information to complete your return, saving you time, and making sure the deadlines for submission and tax payments are met.

Obligation to file Self-Assessment tax returns

UK tax returns are usually required by individuals with UK income which is not taxed at source, or who have made capital disposals or have non-UK sources of income and gains. There may be other disclosures or claims that are required to be made through the Self-Assessment (SA) system relating to residence and domicile that can be technically complex.

Gross payment of bank interest

The introduction of bank interest paid gross may create an obligation for disclosure of income and direct payment of tax liabilities for some taxpayers. The first £1,000 of interest will be tax free each year, but for higher rate tax payers, only £500 will be tax free and for additional rate tax payers there is no entitlement to any tax free interest.

These rules bring more taxpayers within the SA disclosure and filing obligations where basic rate tax payers earn bank interest in excess of £1,000 in a tax year and are then obliged to directly settle the tax liability arising with HMRC via the SA system.

Taxation of dividend income

The first £2,000 of dividend income is earned tax free for most taxpayers.

Any dividend receipts in excess of £2,000 are subject to dividend income tax rates of 7.5%, 32.5% and 38.1% on the gross amount received. From April 2022, these rates increase to 8.75%, 33.75% and 39.35%. For taxpayers with even modest levels of portfolio income depending on their marginal tax rate, this may result in basic rate tax payers falling within the self assessment system to enable any tax due on dividends to be collected.

Non-Resident Capital Gains Tax returns (NRCGT)

Since 2015 non-UK resident individuals have been liable to UK CGT reporting and tax charges where they dispose of UK situated residential property. Net gains will be subject to tax at 18% or 28% depending on the level of the individual's taxable UK income. Reliefs and exemptions may be available.

Since April 2019 NRCGT has been extended to disposals of all UK land and property, including shares that derive their value from UK land and property in some circumstances.

A NRCGT return plus payment of tax will be required within 30 days of relevant transactions completing.

UK residents Capital Gains Tax returns

For residential property disposals exchanging on or after 6 April 2020 there is also a 30 day CGT reporting requirement for UK residents. It applies where there is a gain on the disposal which results in tax (so disposals that are fully covered by reliefs or result in losses do not need to be reported).

As for NRCGT, a CGT return plus payment of tax will be required within 30 days of relevant transactions completing.

While transactions resulting in losses do not need to be reported, they can be reported to claim repayment of tax on a disposal earlier in the tax year.

Annual Tax on Enveloped Dwellings ("ATED")

Any UK residential property held within a "non-natural person", i.e. a company, certain partnerships or a collective investment vehicle, worth above £500,000



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(based on property value at 1 April 2017 and subsequent five-yearly revaluation dates), is required to submit an ATED return and pay an annual tax in the UK, based on the value of the property.

The ATED return must be submitted and tax paid by 30 April of each chargeable period. Reliefs and exemptions are available but it is still a requirement to file a return where no tax is due, and late filing penalties will be imposed where there is non-compliance.

Long term non-UK domiciled UK residents

From April 2017 non-UK domiciled individuals resident in the UK for more than 15 out of the past 20 years will become deemed UK domiciled for income tax, capital gains tax and inheritance tax purposes. This will remove the ability to opt for the remittance basis of taxation meaning that worldwide income and gains will be taxable in the UK on an arising basis for such individuals and their worldwide estate will be subject to inheritance tax on death.

Any long term UK resident individual who currently claims non-UK domiciled status, whether born in the UK or not, should urgently review their UK tax exposure and future compliance obligations. It may be possible to protect offshore assets from exposure to UK taxes if planning is undertaken early enough.

How we can help you

We can review current circumstances and family history and provide advice on your filing obligations in the UK and other jurisdictions to ensure you are compliant. Our colleagues within Moore Global can provide support on a global basis when required. Our holistic approach ensures that you have access to tax professionals, qualified lawyers, accountants and financial planners offering seamless advice and fully compliant reporting for you and your family, wherever you and your asset base are located.

To find out more about Moore Kingston Smith's bespoke services for private clients please visit: www.mks.co.uk