HM Revenue
& Customs

Phone 03000 566 108
9am to 4pm, Monday to Friday

Email wealthyotm@hmrc.gov.uk

Date 1 September 2021
Your Ref

Dear

Residency and the remittance basis charge

Why you have received this letter

If you have an agent, we have sent them a copy of this letter.

Our records show that you have been resident in the UK for 7 or more of the 9 years before the tax year starting 6 April 2019. And you have claimed (or have previously claimed) to be not domiciled in the UK.

This means you may need to pay the remittance basis charge (RBC) of £30,000 or £60,000. However, your 2019 to 2020 tax return did not include this.

Most people who claim the remittance basis want to get things right but do not always understand the reasons why a remittance can occur. We want to help you get your tax affairs right. This is to avoid unnecessary contact and expense.

The appendices to this letter give details of some common errors and more information about UK residency rules.

We are seeing common errors with some of our customers in this category and believe that some customers have:

- not made a claim to the remittance basis correctly in their return Self Assessment tax return (SA109) 'Residence, Remittance Basis etc. supplementary pages'
- not ticked the long-term residency box that applies to the number of years they have been resident in the UK
- incorrectly claimed the remittance basis instead of being taxed on the arising basis

Long-term UK residents aged 18 and over who claim the remittance basis under ITA07/s809B may have to pay the £30,000 or £60,000 remittance basis charge. For these purposes, a 'long-term resident' is an individual who has been resident in the UK for at least 7 out of the previous 9 tax years or 12 out of the previous 14 tax years.

What you need to do now

You have already filed your 2019 to 2020 tax return. Please take the action detailed below within 60 days of receiving this letter.

Look	1 Look at your circumstances and compare with the details explained in this letter.
Check	1 Contact your agent to get more help and discuss the remittance basis charge that you may need to include in your return. 2 If you need more help check HMRC's guidance in the Residence, Domicile and Remittance Basis Manual or the Residence, Domicile and Remittances Basis: RDR1 Manual.
Act now	1 Work out your years of residency in the UK 2 Amend your return to pay the correct long-term remittance basis charge. Make sure you check that any remittances you report are complete and correct, as well as reporting your nominated income or gains OR3 Amend your return to be taxed on the arising basis. You should make sure you declare your worldwide income and gains OR 4 If you believe that your year count is correct, please contact us to tell us why you consider that you do not need to pay the long-term remittance basis charge 5 If you find errors in your tax returns for years before 2019 to 2020, you can make a disclosure on HMRC's website. Go to **www.gov.uk** and search 'HMRC Disclosure Service'. Please let us know that you have done this using the contact details at the top of this letter.

The enclosed examples cover situations when a remittance may occur. They may include some that you have not previously considered. The examples will help you to understand what a remittance is andhelp you to review your circumstances. Please note this is not a full list of examples.

If you are unsure whether you need to claim or amend your claim to the remittance basis, you should get advice. Either from your agent (if you have one) or from HMRC.

Further guidance on remittances can be found in Chapter 9 of the 'RDR1' or at RDRM33000+ in the 'Residence, Domicile and Remittance Basis Manual'. These are available online, go to **www.gov.uk** and search 'RDR1' or 'RDRM'.

You may wish to use this opportunity to check your tax return and to make sure it is correct and complete.

Going forward

If our information shows that your remittance basis claim may be incorrect, we may open an investigation to check the level of foreign income and gains received in a particular year. If your claim is incorrect, you may have to pay additional tax and the remittance basis charge. We may charge interest and penalties on any tax you owe.

If you have any health or personal circumstances that may make it difficult for you to deal with this letter, please tell us. We'll help in whatever way we can. For more information about this, go to **www.gov.uk/dealing-hmrc-additional-needs**

Yours sincerely

WMBC Wealthy

If Coronavirus (COVID-19) is affecting you or your business, you can find information online about the support that's available. Go to www.gov.uk and search for 'Coronavirus guidance and support'.

To find out what service and standard of behaviour you can expect from us, go to www.gov.uk and search for 'HMRC Charter'.

HM Revenue
& Customs

What counts as a year of residence?

We count years in which you claimed split year treatment as a year of UK residence. This also applies to years in which an individual is dual resident, even if a Double Taxation Agreement says they are treaty resident.

Example

George is a non-domiciled individual who is resident in the UK for the tax year 2020 to 2021

- George came to the UK in May 2011 (2011 to 2012 tax year)
- He left to live in Spain in January 2013 (2012 to 2013 tax year)
- He returned to the UK on 12 October 2014 (2014 to 2015 tax year)
- He left to work in the Republic of Ireland on 29 April 2016 (2016-2017 tax year)
- He then returned to the UK on 16 May 2018 (2018 to 2019 tax year) and has been resident here since.

George is resident in the UK for the tax year 2020 to 2021. He has chargeable overseas earnings of £150,000 in that year which were paid into his Spanish bank account and he does not remit anything. For the last 9 tax years he has been resident/not resident as shown below.

1	2011 to 2012	Resident
2	2012 to 2013	Resident (the year he went to Spain)
3	2013 to 2014	Non Resident
4	2014 to 2015	Resident
5	2015 to 2016	Resident
6	2016 to 2017	Resident (the year he went to Ireland)
7	2017 to 2018	Non Resident
8	2018 to 2019	Resident
9	2019 to 2020	Resident

George is a long-term resident. If he claims the remittance basis in 2020 to 2021, he will have to pay the remittance basis charge.

For more information about what counts as e year of residence, go to **www.gov.uk/hmrc-internal-manuals/residence-domicile-and-remittance-basis/rdrm32220**

If you were under 18 on 5 April 2019

The remittance basis charge is only payable by long-term residents aged 18 of over.

However, we count tax years in which an individual is under 18 when working out their years of residence for the 7 out of 9 and 12 out of 14 rules.

Deemed domicile

If you have also spent 15 of the previous 20 years in the UK, different rules apply. For more information about this, go to **www.gov.uk/guidance/deemed-domicile-rules**

Reporting your foreign income and gains on the arising basis

Using the arising basis, you pay UK tax on:

- income from the UK
- income from outside the UK
- gains from the disposal of your assets, wherever they are in the world

Examples of foreign income and gains which you need to report include:

- interest from foreign savings
- dividends from foreign companies

- income from foreign pensions and property
- foreign employment and self-employment income
- capital gains from the disposal of foreign assets and property

You may have used the remittance basis in earlier years and then bring any foreign income and gains to the UK from those earlier years at a later date. If so, you still have to pay UK tax on this remittance. You will have to pay even if you do not claim the remittance basis in the later year.

If you are on the arising basis, you must declare all your foreign income and gains on your tax return. Even if:

- they have already been taxed in another country
- you do not bring them to the UK

If the foreign income or gains have already been taxed in another country, you may be able to claim a credit in the UK for the tax paid in another country. For more information about this, go to **www.gov.co.uk** and search for 'HS263'.

Reporting your foreign income and gains on the remittance basis

If you are UK resident but non-domiciled, it may be more beneficial for you to claim the remittance basis. Do decide what is best for you, we recommend that you get advice from an experienced professional adviser if you do not already have one.

We have seen some customers who believe they have claimed the remittance basis but have not completed the claim correctly. This means their return is showing they are taxable on the arising basis instead.

The remittance basis charge is a tax on part of the foreign income and/or gains that you haven't remitted to the UK. This is paid in addition to any UK tax that is due for the year, and any foreign income or gains remitted to the UK.

Under the remittance basis you will be taxed on:

- all of your UK income and gains as they arise or accrue each year
- your foreign income and gains if and when you bring (remit) them to the UK, including any property from those income and gains

If you claim the remittance basis and are a long-term resident in the UK (individuals who have been tax resident in at least seven out of the nine tax years), you may be liable to pay the remittance basis charge.

The remittance basis charge is an annual charge of (one of the following):

- £30,000 for individuals who have been resident in at least seven out of the nine preceding tax years
- £60,000 for individuals who have been resident in at least twelve out of the fourteen preceding tax years

Long-term residents who have less than £2,000 un-remitted foreign income and gains in a tax year and wish to claim the remittance basis will not have to pay the charge.

Claiming the remittance basis is not automatic. You must make a claim on the 'Residence, Remittance Basis etc. supplementary pages' of the Self Assessment tax return ('SA109').

You must make sure you fill in Box 28 on the SA109. Not doing so is a common error we are seeing. If you do not tick this box, your remittance basis claim may be invalid.

If you meet any of the long-term residency rules, you must also fill in Box 31 for twelve or more of the fourteen years or 32 for seven or more of the nine years and pay the relevant remittance basis charge.

Nomination of foreign income and gains

The remittance basis charge is a tax on nominated income or nominated gains (or a mixture of the two), made by the individual. Long - term residents who claim the remittance basis and have to pay the charge must nominate their foreign income and/or chargeable gains to be taxed for that year (IT07/s809C). This meets the mandatory requirement that a nomination must be made when making the claim.

An individual can choose to make a nomination of just £1 to meet the requirement.

In order to do this, they must have foreign income and/or foreign chargeable gains in the tax year from which they are making a nomination.

Any claim to the remittance basis that does not include a nomination is not valid.

For more information about this, go to **www.gov.uk/hmrc-internal-manuals/residence-domicile-and-remittance-basis/rdrm32300**

M32B9101ULM D32B9101ULM Page 4 of 6 / 0004673 / 0016244

HM Revenue
& Customs

Practical Examples of Remittances to the UK

The examples below are an aid to help you understand when you make a remittance which is liable to tax. There are many ways in which a remittance can occur and the examples cover ways that you may not have previously considered. The examples refer to foreign income but most will apply equally for foreign chargeable gains. Each of the examples results in a remittance that should be reported on your tax return.

Money transfers to the UK

- you transfer some of your foreign income from your offshore bank account to your UK bank account
- you withdraw some cash from your foreign bank account (that contains your foreign income) whilst overseas and bring the cash with you when you return to the UK
- you give some of your foreign income to your spouse or civil partner who brings the money to the UK
- you transfer some of your foreign income to the UK account of a registered Charity
- you rent out your holiday home abroad and the customer pays the rent directly into your UK bank account
- you loan some of your foreign income to a company you control overseas or settle some foreign income in an offshore trust. The company or trustees bring the money to the UK
- you inherited money a few years ago that you deposited into a foreign interest bearing bank account and you transfer some of the money from this account to the UK. Although the inheritance is not taxable when remitted, the account will also contain taxable interest that will be treated as remitted before any of the non-taxable inheritance

Assets brought to the UK

- you buy an asset abroad with your foreign income and bring the asset to the UK
- you buy a villa overseas using your foreign income which you then sell for a profit. You then transfer the sale proceeds to the UK. This is a remittance of the foreign income used to originally buy the overseas property as well as the foreign chargeable gain
- you buy a house in the UK (or any other UK based asset) by making a payment of your foreign income to the seller's overseas account
- you buy shares or bonds in a UK registered plc from a foreign broker with your foreign income

Services provided in the UK

- you transfer some of your foreign income from your overseas account to the overseas account of a trader who has provided you with a service in the UK
- you buy a return air fare from New York to London overseas using your foreign income
- you book a holiday with a foreign travel agent to sail from Southampton to New York which you pay for with your foreign income
- you transfer some of your foreign income to the overseas account of a friend in exchange for using his cottage in the UK for a week

Use of credit cards

- you use a credit card issued by a foreign bank in the UK for day to day expenditure and pay the credit card bill offshore using your foreign income
- you use a credit card issued by a UK bank while on holiday abroad and pay the credit card bill using your foreign income

Offshore loans

- you take out a mortgage with an offshore bank to buy a house in the UK and make repayments to the bank from your foreign income
- you take out a loan from an offshore bank secured against your foreign income held by the bank and use the money to fund your life in the UK. This is a remittance of the foreign income used as a security when the loan is taken out

Gifts to others

- you give some of your foreign income to a business colleague (or any other person) overseas who brings it to the UK and makes it available for your use
- you make a gift of some of your foreign income to your adult son or daughter who lives abroad. Three years later your child gives some of these funds to their 16 year old child (your grandchild), who spends the money during a visit to the UK

Miscellaneous

- you have foreign income from a source that ceased before 6 April 2008. Although the source of the income has been disposed of, the income from it will be taxable if remitted to the UK on or after 6 April 2008
- you close your bank account that holds funds transferred from another account that closed before 6 April 2008 and which contained an inheritance plus interest that accrued to it over many years. You transfer the whole fund to the UK. The amount that relates to the interest credited to all the accounts is a remittance
- you allow a friend to stay in your holiday home overseas, that was purchased with your foreign income and in exchange the friend allows you to stay in his holiday home in the UK
- you transfer some of the foreign income you nominated on your tax return for the purpose of the remittance basis charge to the UK. Although you have already paid UK tax on this income, you will be deemed to have remitted other unremitted foreign income or gains you have before the nominated income. You may need to seek advice to determine which of your unremitted income or gains will be taxable instead of the income you nominated
- you surrender or dispose of your rights on a life insurance, life annuity or capital redemption policy overseas and keep the proceeds in an offshore account. Any gains on the disposal are not taxed on the remittance basis and should be reported on your return even though not remitted to the UK

Notes

The above list of examples is not exhaustive; there are many other ways in which remittances can occur.

If you have foreign income or gains that arose in 2007 to 2008 or an earlier tax year they could be affected by transitional provisions.

Some of the examples concern bringing an asset to the UK, to which exemptions may apply.

Further guidance about remittances, the transitional provisions and exemptions can be found in:

- chapter 9 of the RDR1 'Residence, Domicile and the Remittance Basis' - go to, **www.gov.uk/government/publications/residence-domicile-and-remittance-basis-rules-uk-tax-liability**
- RDRM33000 in the 'Residence, Domicile and Remittance Basis Manual' go to, **www.gov.uk/hmrc-internal-manuals/residence-domicile-and-remittance-basis/rdrm33000**