



# Considering A Move To The UK? Make A Plan

The UK and USA are alike, but there are significant differences, especially in their treatment of tax.  
By Nomaan Ilyas.

**A**mericans are heading to the UK in increasing numbers. With the pound relatively weak, a world leading financial centre, and a thriving multicultural scene, London has never been more attractive. The lifestyle may draw people in, however the tax landscape needs careful navigation. If traversed correctly it can lead to tax efficiencies, and tax inefficiencies/additional compliance if not.

## Changes since April 2025 for the UK

The UK has replaced the long-lasting remittance basis with new regimes since April 2025. This represents new-found long-term risks for Americans and potential opportunities moving forward.

- FIG Regime: a new four-year exemption from UK tax on foreign income and gains for new UK arrivals.
- Long term Residence Regime: Individuals will be taxed on a worldwide basis for inheritance/Estate tax once they become a UK resident for 10 out of the last 20 years.

## The FIG 4-year Window: Potential tax savings

The FIG regime allows new UK arrivals to receive UK tax free income from foreign investment income, foreign capital gains and in some cases foreign employment income without any penalties.

However, the window begins once the new arrival becomes a UK resident, even if it

is triggered late in the tax year. Unfortunately, foreign losses can't be utilised in years FIG is claimed, and claims must be made on an annual basis.

For Americans, the window is an opportunity to update investment portfolios, wind down troublesome US entities or realise gains before utilizing the FIG to their advantage. But effective planning is crucial!

## The Long-Term Residence Regime: IHT/Estate Tax

Under the UK's new Long-Term Residence regime, Americans residing in the UK for 10 of 20 tax years are fully liable for UK inheritance tax on worldwide assets. The UK Inheritance tax is a flat 40%, with a £325,000 nil-rate band, starkly lower than the US fed-

eral estate tax exemption. Thus, US people need no more than nine years' UK residence to avoid UK inheritance tax.

This creates a dilemma! Is the UK a short term 4-year FIG scheme, a nine-year journey or a long-term home that will require Americans to make major changes?

### Buying a home

When moving to another country, it is important to be aware of the rules and regulations, especially if it involves UK property and potential tax hazards.

- Stamp Duty Land Tax (SDLT): Non-UK residents have a 2% surcharge while buyers who previously own UK property could have a 5% added surcharge.
- Capital Gains Tax (CGT): While the UK provides full main-residence relief; the US has an exemption of \$250,000 per person.
- Couples with multiple nationalities: if your spouse is not from the US, it may be beneficial to put the property in their name if appropriate, but this may cause gift tax issues from a US standpoint.
- Mortgages in GBP: The US taxes foreign currency gains, therefore repaying UK mortgages can create a US tax liability.

### Trusts, LLCs and Unfavorable US Structures

US estate planning structures rarely translate well into other jurisdictions, especially the UK. Nonetheless, it is important to know how UK tax changes will affect this.

- LLCs can face double taxation with no credit relief if it is transparent in the US and opaque in the UK.
- If distributions are not managed effectively for Offshore trusts, it can create UK tax charges even if the trust was created years prior.
- Revocable living trusts may be treated as UK resident trust once the trustee becomes a UK resident.

Hence, it is imperative that pre arrival restructuring is used to avoid UK tax difficulties.

### Investments, Mutual Funds and PFIC Pitfalls

Americans moving to the UK often find out that their US investment portfolios invested in mutual funds are deemed non-reporting funds, which can mean income tax rates on gains and losses being allowed against such offshore income gains (OIG) as they are known. Additionally, portfolios

established in the UK (commonly in an ISA) frequently fall into the PFIC regime! Typically, non-US mutual funds, ETFs and UK investments are deemed Passive Foreign Investment Companies (PFIC). PFICs are subject to the highest tax rates in US tax! Therefore, it is essential to plan for investments into portfolios to avoid the PFIC and OIG Pitfalls!

### Overall

The most important message for Americans is the following: plan before you become a UK resident. Without effective planning, companies, trusts, portfolios, pensions and other sources of funds can create UK/US tax liabilities or additionally complex compliance. While the new regimes create new opportunities, it can also be very costly. Therefore, with good tax advice in both UK and US matters you can cross the pond smoothly. ★

**Nomaan Ilyas is Managing Director of Frontier Group, a firm of advisers specializing in US, UK and International Tax return preparation services and advice. You can contact him on: 020 7332 2843, n.ilyas@frontier-fs.com, www.frontier-fs.com**

