



REVIEWING YOUR INVESTMENT PLANNING

Are you sure you are paying tax in the right place?

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There are rules to establish tax residency in both Spain and the UK, and each country's domestic rules differ. If you meet both countries criteria at the same time, then there are tie-breaker rules set out in the UK/Spain Tax Treaty to establish where you are tax resident.

Even if you are clearly established as resident in one country, some taxes may be payable in both countries, although there will be double tax relief available.

Basically, you are tax resident in either country if you spend 183 days or more in that country in that country's tax year, although other residence criteria do exist.

The UK tax authority, HM Revenue & Customs (HMRC), also has a 91 day residency rule, so that even if you spend less than 183 days in the UK in a tax year, but more than 91 days on average over four UK tax



years, HMRC can treat you as tax resident in the UK. Even if you don't spend 91 days in the UK, HMRC can look at the connections you keep with the UK and your lifestyle, and decide that you are a UK tax resident.

So, if you are living in Spain but spending a lot of time in the UK, you could find that your residence status is actually far from clear. All this will take time to sort out

and could be costly to rectify if you have got it wrong.

Under the UK/Spain Double Tax Treaty, if you earn income from employment in one country but are resident in the other country then the income is taxable only in the country of residence. However, if the employment is exercised in the other country, then that country also has taxing rights.

It is important to be aware

of where your tax liability lies in your particular circumstances. You do not have a choice as to where you pay tax. It is largely dependent on your residence status but will also depend on the nature and type of income you receive, and which country it is received or earned in.

There is also domicile to consider which can affect your liability to UK inheritance tax (IHT). Shaking off

your UK domicile is hard to do. You have to wipe the UK clean of all connections and acquire a domicile elsewhere to be regarded as non-UK domiciled. You can remain UK domiciled, even if you have been living outside the UK for many years, and if you are UK domiciled at the date of your death, UK IHT will be levied on your worldwide assets. IHT can slice a damaging amount from your wealth

Where you are domiciled can affect your liability to UK inheritance tax

and it is your heirs who will feel the loss.

Fortunately there is help available to advise you on residence and domicile issues, and there are strategies available to lessen the impact of taxation. Contact a reputable international financial and tax specialist like Blevins Franks for advice on your individual circumstances to make sure you are tax compliant and tax effective.

To keep in touch with the latest developments in the offshore world, check out the latest news on our website www.blevinsfranks.com

Tax Planning Seminars

Our seminars explain the tax liabilities on income, savings, investments and inheritances for British people living or spending time in the Canary Islands.

We also discuss strategies to legitimately reduce tax for yourself and for your heirs, and to increase your regular income on your savings.

COSTA ADEJE (Tenerife South) Wednesday, 31st March

Hotel Vincci La Plantacion del Sur • 10.30 for 11.00am until 12.30pm

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