

Non-residents and investment income

i **Contacts**

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to
www.hmrc.gov.uk

This helpsheet explains how income from UK savings and investments (such as interest or alternative finance receipts from banks or building societies, unit trusts, National Savings & Investment products or dividends from UK companies) is taxable if you are not resident in the UK.

It includes a Working Sheet which you only need to use if you decide to calculate your tax.

How is investment income charged to tax?

With the exception of income from property in the UK and investment income connected to a trade in the UK through a permanent establishment, the tax charge for non-residents on investment income arising in the UK is restricted to the amount of tax, if any, deducted at source. If the tax charge is limited in this way, personal allowances will not be given against other income.

Getting advice

This helpsheet explains the restriction but it is only an introduction. If you are in any doubt about whether the restriction applies or how it operates, ask your tax adviser or phone the HMRC Taxes Helpline on **0845 300 0627** from the UK or **(+44) 135 535 9022** from overseas.

How does the restriction work?

If you are not resident in the UK, the tax you pay on all your income cannot be more than:

- the amount of tax that would be chargeable on income, other than the 'disregarded income' shown below, but before the deduction of any personal allowances due, plus
- the amount of tax deducted at source from the disregarded income.

Disregarded income includes:

- interest and alternative finance receipts from banks and building societies
- dividends from UK companies
- income from unit trusts
- income from National Savings & Investment products
- profits from public revenue dividends
- profits or gains from transactions in deposits
- certain social security benefits, such as State pensions or widows' pensions
- taxable income from purchased life annuities except annuities under personal pension schemes.

Please note

Disregarded income does not include a share of partnership investment income. If you receive dividend income from a partnership (*Partnership (full)* pages, box 69) you cannot use this helpsheet. You should enter in the 'Any other information' box, box 19 on your tax return the following words: 'I have been unable to complete the tax calculation fully because I had a

share in partnership dividend income and the self calculation sheet on Helpsheet 300 does not provide for this. HM Revenue & Customs will need to complete the calculation for me.'

Calculating your tax

If you want us to calculate your tax for you, you can ignore the rest of this helpsheet.

If you have decided to calculate your tax yourself ask the SA Orderline for the *Tax calculation summary* pages and *notes*. You will have to compare the amount of tax that would otherwise be due with the amount due as shown by this helpsheet. This is to make sure that you do not pay too much tax. In some circumstances you will be better off paying tax as if you were resident in the UK.

Use the Working Sheet on page 5 to make the comparison. There are instructions starting below and continuing on pages 3 and 4 on how to fill it in.

Working out the limit of your liability

First, fill in the Working Sheet in the *Tax calculation summary notes* up to and including box A251. You will need to transfer some of the A boxes to the Working Sheet on page 5 of this helpsheet.

Second, work out the limit of your liability by filling in the Working Sheet on page 5 of this helpsheet, using these instructions.

Third, compare box A251 in the *Tax calculation summary notes* with box 28 of this Working Sheet and use the smaller figure.

Fourth, continue completing the Working Sheet in the *Tax calculation summary notes* up to box A262.

Filling in the Working Sheet

Boxes 1 and 2

Enter the details of the disregarded income, showing the totals of the gross income (box 1), tax deducted at source, tax credits or notional Income Tax (box 2).

Box 3

Enter your total gross income for the year minus deductions. This is the figure in box A59 minus the figure in box A76 in your Working Sheet in the *Tax calculation summary notes*.

Box 4

Deduct the figure in box 1 from the figure in box 3.

Boxes 5 to 7

Employee contributions to personal pension plans and Gift Aid are normally paid net of tax at the basic rate. Further relief is due if you are liable to higher rate tax.

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Add together:

- pension payment relief, from box A106
- Gift Aid payments, from box A108

and enter the total in box 5. Add box 5 to box 6 and enter the result in box 7. Box 7 is your basic rate band limit.

Boxes 8 to 15

Income up to your basic rate band limit is taxed at 20%. Any income over your basic rate band limit is taxed at 40%. Any income over the higher rate band limit is taxed at 50%.

Box 16

Enter the total tax due from boxes 2, 9, 13 and 15 in box 16.

Box 17

Add together:

- Venture Capital Trust relief, from box A185
- Enterprise Investment Scheme relief, from box A187
- Community Investment tax relief from box A189

and enter the total in box 17.

Boxes 18 and 19

Enter in box 18 the figure of maintenance or alimony paid, from box A191. Multiply the figure in box 18 by 10% and enter the result in box 19.

Box 20

Add together:

- notional tax, from boxes A197 and A199
- Foreign Tax Credit Relief, from box A201

and enter the total in box 20.

Box 21

Add together the figures in boxes 17, 19 and 20 and enter the result in box 21.

Box 22

Subtract the figure in box 21 from the figure in box 16.

Boxes 23 and 24

Copy the figure from box A209 to box 23. Box 24 ensures there is sufficient tax to 'cover' any Gift Aid payments.

Box 25

Copy the figure of dividend tax credits from box A222 to box 25.

Box 26

Deduct any amount in box 25 from the figure in box 24 and enter the result in box 26. If box 25 is greater than box 24 enter zero in box 26.

Box 27

Box 27 ensures there is sufficient tax to cover any annuity payments. Copy box A214 to box 27.

Box 28

The maximum amount of Income Tax due from you is the total of the amount due after allowances and reliefs (except for personal allowances) and the amount of tax, if any, deducted at source. Add together boxes 26 and 27 and enter the result in box 28.

Filling in the rest of the Working Sheet in your Tax calculation summary notes

Compare the figure in box 28 of this Working Sheet with the figure in box A251. Continue from box A251, replacing the figure in that box with box 28 of this Working Sheet, if smaller.

Follow the *Tax calculation summary notes* to box A262 as instructed.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at www.hmrc.gov.uk

Tax Working Sheet – maximum income

'Axx' boxes are from the Working Sheet in the *Tax calculation summary notes*. If any box on this page is minus, substitute zero.

Disregarded income

Gross income

Tax deducted

Total of column above

1

Total of column above

2

A59 minus A76

3

Total income minus deductions for the year

Box 3 minus box 1

4

Total gross income after disregarded income

A106 + A108

Box 5 + box 6

Personal pensions and Gift Aid

5

6

7

Smaller of box 4
and box 7

8

Box 8 x 20%

9

Box 4 minus box 8

10

Smaller of box 10
and box 11

11

12

Box 12 x 40%

13

Box 10 minus box 12

14

Box 14 x 50%

15

Boxes 2 + 9 + 13 + 15

16

Total tax due

A185 + A187 + A189

17

Venture Capital Trust relief, Enterprise Investment Scheme relief
and Community Investment Tax relief

From A191

Box 18 x 10%

Maintenance or alimony payments

18

19

A197 + A199 + A201

Boxes 17 + 19 + 20

Tax adjustments (see notes on page 3)

20

21

Box 16 minus box 21

22

Larger of
boxes 22 and 23

From A209

23

24

From A222

Tax due on Gift Aid

25

Non-payable tax credits on dividends

Box 24 minus box 25

26

From A214

27

Tax due on annuities and annual payments

Maximum amount of Income Tax due

Complete the Working Sheet in the *Tax calculation summary notes* to box A251.

Compare the figure in box 28 with the figure in box A251. If box A251 is greater, replace it with the figure in box 28.

Box 26 + box 27

28

Finish completing the Working Sheet in the *Tax calculation summary notes* to box A262.