

Dear Sir/Madam,

Why we have sent you this letter

Our records show you have claimed to be taxed on the remittance basis. This means your foreign (non-UK) income and gains will generally only be taxed when they are brought to, received or used in the UK. There are many ways in which a remittance can be made. We want to help you understand what a remittance is so you can complete your tax return accurately. Further guidance on remittances is available on HMRC's website at <http://www.hmrc.gov.uk/international/remittance.htm>

It is important that you keep track of your foreign income and gains so that you know when you have made a remittance to the UK and can calculate what has been remitted.

Help

Our experience shows most people who claim the remittance basis want to get things right but do not always understand all the ways in which a remittance can occur. We want to help you get your tax affairs right, avoiding unnecessary contact and expense.

The enclosed examples cover situations in which remittances can occur and may include some that you have not previously considered. While not exhaustive the examples will help you to understand what a remittance is and assist you to review your circumstances.

If after reviewing these examples, you believe you have made a remittance that you have not previously declared you need to take action. You should contact HMRC or your agent and make arrangements to correct your tax return.

If you are unsure whether you have made a remittance, you can seek advice from your agent (if you have one) or from HMRC.

What you need to do now

Look	<ol style="list-style-type: none">1. Look at your circumstances in conjunction with the examples attached to this letter.2. Check you have told us or your agent about all your remittances.
Call	<ol style="list-style-type: none">1. Contact your agent to get further help or discuss the entries you have made2. Call us if you need help to understand remittances or to discuss the entries you have made on your tax returns on 03000 546837
Act Now	<ol style="list-style-type: none">1. If you have omitted remittances from any of your returns please take the appropriate steps to correct the position2. If HMRC are currently enquiring into your affairs, please talk to the officer responsible for your case

Business Investment Relief

From April 2012, a new relief has been available which allows individuals who are or have been taxed on the remittance basis to bring their foreign income and gains to the UK tax free where they do so in order to make an investment in a qualifying company in the UK. Further information is available on the HMRC website at www.hmrc.gov.uk/cnr/guide-remit.pdf

Yours sincerely

David Shaw
Business Head
Personal Tax International

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. The loan requires you to repay the capital and interest after 15 years. As the loan does not have regular monthly repayments this is a remittance of the foreign income used as 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 2007/08 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 on remittances, the transitional provisions and exemptions is available on HMRC's website at <http://www.hmrc.gov.uk/international/remittance.htm>