19 Non-residents, visitors and immigrants

19.1 On what income are non-residents liable to UK tax?

If, for a given tax year, you are not a UK resident (17.3.2) you will normally be liable to UK income tax only on income arising in this country. If your income arising here is also taxed in your country of residence you will in many cases be entitled to double taxation relief (18.6). Should there be a double taxation agreement between your country of residence and the UK (18.6.1) this agreement may provide that certain categories of income arising in this country should only be taxed in your own country and not here. The following paragraphs cover the position if such relief is not obtained.

19.1.1 Business profits in the UK

(TA 1988 S18 & FA 1995 S126 & Sch 23)

If you are non-resident but carry on a business in this country you will be charged to tax here on your profits. You will be assessed to income tax under Schedule D Case I (11.2) at the starting rate (10 per cent), basic rate (22 per cent) and higher rate (40 per cent) if your total income liable to UK tax is sufficiently high (2.2).

If your UK business is operated by a manager, etc, he is charged to the tax on your behalf but if your only business in this country consists of selling through a broker or agent who acts for various principals, you will not be chargeable. From 6 April 1996, your branch or agent in the UK is made jointly responsible with you for all that needs to be done concerning the self-assessment of the profits.

19.1.2 Income from property and land in the UK

(TA 1988 S15)

Income tax under Schedule A (or Schedule D Case VI) is charged on this income (7.1). If you are non-resident you will nevertheless have to pay UK
income tax on this income; the basic rate normally should be deducted at
source by the tenant or agent in paying you. Furthermore such income is
frequently not covered by the relevant double taxation agreement.

19.1.3 Interest received from sources in the UK
(TA 1988 ss18, 66 & 67 & FA 1993 S59)
You are liable to income tax under Schedule D Case III on this income
(8.5). If you are not ordinarily resident, you can sign a declaration and
obtain your interest gross from banks, building societies and other
deposit takers.

19.1.4 Interest on UK securities
(TA 1988 ss44–52)
Income tax at 20 per cent (25 per cent before 6 April 1996) will be with-
held from interest payments made to you unless some lower rate (or nil
rate) is specified in any double taxation agreement (18.6). (See also
exempt gilts, 19.2.)

19.1.5 Dividend payments to non-residents
(TA 1988 ss232, 811 & 812 & FA 1993 S77)
If you are non-resident, your dividends from UK companies normally
carry no tax credits unless you get relief under TA 1988 S278 (19.7) or
under certain double taxation arrangements (see below). Thus if you
receive a dividend of £90, you will normally pay overseas tax on this
amount with no deduction for the £10 tax credit which you would have
got, if you were a UK resident. You may be liable, however, to the excess
of the higher rate income tax over the tax credit (5.0.1) on the actual divi-
dend payments. Such tax would qualify for relief against your overseas
tax subject to the relevant double tax arrangements (18.6).

Provided the relevant double tax agreements have been revised to permit
it, special arrangements can be made between UK companies and the
Board of Inland Revenue. These enable a UK company, when paying a
dividend to an overseas resident, also to pay him an amount representing
the excess over his UK tax liability on the dividend of the UK tax credit
to which he is entitled under the relevant double tax agreement (18.6.1).
Comparable rules apply to companies. However, from a date to be fixed,
the right of certain non-resident companies to payments of tax credits
will be subject to withdrawal. This broadly covers various situations
involving ‘unitary taxation’. 