

# Broadbase International Ltd Newsletter – January 2011

A very Happy New Year to you all, and welcome to the first edition of our newsletter for 2011. We hope that you enjoyed the festive season, whether you spent it sweltering in the southern hemisphere or freezing in the northern hemisphere.

On of the more mundane aspects of emigrating to New Zealand is figuring out what your tax position is, both in the UK and in your new home. But it is important to understand both the opportunities and the potential perils of international tax, which is why we have an extensive [New Zealand/UK Tax](#) section on our website. Whenever we start researching the finer points of UK and New Zealand tax law we are reminded yet again how fortunate we are to have a UK-NZ tax expert Martin Riley from [Sterling Tax Services](#) to talk to. With his assistance we've recently updated one of our core articles, [Tidying up your UK Tax](#). We've reproduced the article below for you, complete with its links to further reading and advice on when to seek expert advice:

## ***Tidying up your UK Tax when you Emigrate to New Zealand***

### **A common question that we are asked is 'Do I have to tell HM Revenue & Customs (HMRC) when I leave the UK?'**

Surprisingly, the simple answer is 'no' - but it may be to your advantage if you do inform HMRC.

Once you are living overseas you will be mainly dealing with HMRC through their [Centre for Non Residents](#). They have a comprehensive website where you can find more information and download all the forms mentioned below.

### **Form P85 - Leaving the UK**

The purpose of a Form P85 is to inform HMRC that you are moving abroad. For employees taxed under PAYE, a Form P85 should result in a tax refund to account for the fact that the employment income ceased during the tax year. HMRC will make these refunds during the tax year.

Many people are under the impression that a Form P85 must be completed when leaving the UK. In fact, there is no legal requirement to do so. If you choose not to complete the form then any refund due under PAYE can be claimed after the end of the tax year by completing a tax return in the normal way (see 'Form R43 ' below).

### **Form NRL1 - Non-Resident Landlords**

Anyone leaving the UK with ongoing rental income from a UK property should consider joining the Non-Resident Landlords' (NRL) scheme by completing a Form NRL1. This will allow rent to be received without tax being deducted at source. Without it, the tenant or letting agent has an obligation to deduct 20% tax at source (even if the tenant is a relative).

However, most non-resident landlords have no UK tax liability because the net rents received are covered by the UK personal allowance. Therefore, rents can be received without any tax deducted at source by completing a Form NRL1 provided the taxpayer agrees to submit tax returns and pay any tax which might be due by self-assessment. Even if tax is payable on rental income then HMRC will normally allow you to join the NRL scheme and you can account for the tax under the self-assessment regime - when the taxable amount is known.

Of course, if no tax is payable but tax has been deducted at source then it can be reclaimed at the end of the tax year by completing a tax return in the normal way (see 'Form R43 ' below).

Check the article on our UK website for more information on [letting out your house in the UK when you emigrate to New Zealand](#).

### **Form R105 - Bank and Building Society Interest**

Form R105 should be submitted to your bank or building society to ask them to pay you interest without deducting tax at source.

A non-resident is taxable in the UK on any bank interest received but for most New Zealand residents the total amount of UK source income is less than the personal allowance. If this is the case, then you should complete a Form R105 and send it to your bank/building society. The Form R105 is technically just a

statement confirming that you are not 'ordinarily resident' in the UK and can be completed if you have left the UK permanently.

Again, as for the Forms P85 and NRL1 above, if you have chosen not to complete a Form R105 you can tidy things up at the end of the tax year and claim any repayments that might be due by completing a tax return (see 'Form R43' below). However, by receiving the amounts free of tax in the first place you will obtain a cash flow benefit and also avoid the hassle of submitting a tax return.

## Form R43 - Tax Repayment Claim

If you have paid tax in the UK either via PAYE, interest deducted at source or by tax suffered at source on rental income then it may be possible to obtain a refund after the end of the tax year by completing a Form R43.

However, in some cases HMRC will insist on the completion of a full self-assessment return rather than a Form R43. In such cases, unless you are familiar with completing your own self-assessment tax returns in the past, we would recommend that you seek professional advice.

## Tax on UK Pension Income

Finally, some UK migrants receive pension income from a UK private pension - this may be a company pension or an annuity/income drawdown. It should be possible to claim exemption from UK tax for your private pensions but this claim is subject to the UK/New Zealand Double Tax Treaty.

We recommend that professional advice be taken in these cases as there have been several occasions where both HMRC and the IRD have given incorrect advice on the tax treatment of UK pensions or incorrectly processed such claims under the Double Tax Treaty. Again, we suggest you seek professional advice to clarify your situation.

Check our article more information on [tax on both UK and NZ pensions in New Zealand](#).

## Important Dates

February 6<sup>th</sup> is Waitangi Day, or New Zealand's national day. It is more of a commemoration than a celebration due to the complicated historical context, [which you can read more about here](#), but for most New Zealanders it is mainly just a welcome day off in the summer.

Most New Zealand schools head back for the new year either just before or just after Waitangi Day. Check our UK website for [New Zealand school term dates](#), which are slightly odd this year due to the Rugby World Cup in September – October. Jeremy will be taking the odd day off to spend with the kids over the next couple of weeks before school starts back, but will be [checking his email](#) throughout and will also have his mobile phone handy if you have any urgent queries, (+64) 21 498 058 from overseas or 021 498 058 from within New Zealand.

## Until Next Month...

Wishing you and your family all the very best for the coming year. Please feel free to contact us any time if you have any questions about the financial side of life in New Zealand.

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