



Scottsdale Consulting
INDEPENDENT FINANCIAL ADVISERS

UK Investments

A common question is whether it is necessary to cash in all your investments when you emigrate to Australia.

The answer is that it is not necessary - but the tax rules in Australia might make it sensible to do so.

There are 4 taxes that you will need to be aware of.

Income Tax

Any dividends from shares and distributions from unit trusts will be liable for income tax in the UK. You will still have a personal allowance even when you are no longer resident here.

The investment income will also be taxed in Australia but any income tax paid in the UK can be offset to avoid double taxation.

Capital Gains Tax

Non-residents do not pay UK capital gains tax as long as they remain abroad for at least 5 complete tax years. A good tip might be to delay selling an investment until at least the 6 April following your departure from the UK.

Australian capital gains tax is payable only on the increase in value between arriving in Australia and when the investment is sold. It is therefore important to get a written valuation very close to the date of departure. The amount of capital gains tax payable depends on when the sales takes place so professional advice is important.

Private company shares are subject to separate rules and professional advice is very important.

Foreign Accumulation Funds Tax

Until very recently there was an Australian tax known as Foreign Investments Fund (FIF) tax which required you to calculate the investment growth on an annual basis on certain UK pension benefits, convert this growth into Australian dollars and add this amount to your taxable income. This income was to be included in your Australian tax return and was taxed at your highest marginal rate of tax, should you not have qualified for a FIF exemption. However, this FIF legislation has been repealed very recently and replaced with Foreign Accumulation Funds (FAF) tax legislation.

Whilst this new legislation was effective from the 1st of July 2010 the details are yet to be fully legislated. However, our understanding is that all UK pensions - whether employer sponsored, personal pensions (including SIPPS and group personal pensions) - will be exempt.

The proposal is aimed at taxing low risk offshore investments that defer a liability to Income tax by rolling-up the income rather than paying it out.

Inheritance Tax

There is no inheritance tax in Australia. However, UK domiciled individuals are liable to inheritance tax in the UK on their worldwide assets. It is a complicated and lengthy process to change your domicile from the UK to Australia, and owning assets here can make it more difficult.

Currently the rate of UK inheritance tax is 40% on worldwide assets above the annual allowance. The allowance for the 2010/2011 tax year is £325,000. No inheritance tax is payable on transfers between spouses and civil partners.

SCOTTSDALE CONSULTING LIMITED

Oak House, Breckland, Linford Wood, Milton Keynes, MK14 6EY

Telephone 01908 226400 Fax 01908 317744 info@sc-ifa.co.uk www.scottsdaleconsulting.co.uk

London Office Scottsdale Consulting Limited, 68 Lombard Street, London, EC3V 9LJ

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