



Overseas workday relief – briefing notes

Headline

Individuals arriving in the UK who are considered 'non-UK domiciled' and meet certain other criteria can potentially benefit from 'Overseas Workday Relief' (OWR). OWR is a claim that can be made to reduce the UK tax burden on employment income where an employee continues to undertake their work duties outside the UK.

Current regime

A qualifying taxpayer can only claim OWR during their first three UK tax years of residency. Furthermore, in order to qualify they must not have been considered UK tax resident in three consecutive tax years out of the five tax years preceding the first year in question.

Proposed update

Contained within the proposed changes to the 'Non-Domiciled' regime during the Spring Budget 2024, an individual must qualify and elect for the new Foreign Income and gains (FIG) regime to be eligible to claim the relief.

Illustration

To help illustrate how beneficial such a claim could be, where an individual has a salary of £300,000, should this be taxed in full, it would generate a UK income tax liability £113,662. However, if the employee worked 250 days in a tax year and spent 100 of these performing duties overseas, a qualifying claim to OWR would reduce the tax burden in the UK to £59,662.

In this example that would nearly halve the exposure to UK income tax for one tax year.

Payroll administration

In most circumstances, the employer will be responsible for operating and submitting the payroll to HMRC. They will also be responsible for withholding the correct income tax and employee's national insurance through the PAYE system.

It is recommended the payroll provider interacts with the individual's adviser to ensure the correct payroll obligations are met.

Record keeping

In order to make an OWR claim through self-assessment, the following information is required:

- Dates of leaving the UK,
- Dates of arriving in the UK,
- Countries and locations visited,
- Dates overseas where most of the day was spent undertaking working duties, and
- The total number of workdays in the relevant tax year or period.

In our experience, HMRC can request supporting details should they raise an enquiry into the tax return. The following may be required:

- Time of departure from the UK,
- Time of arrival in the UK, and
- Nature of duties performed overseas.

You should retain appropriate documentation should HMRC raise such an enquiry. This could be boarding passes, work calendar or other travel documents.

Takeaways

Claiming OWR can attract significant tax benefits for qualifying individuals, making this a valuable relief. However, in recent experience HMRC are raising enquiries on such claims and therefore obtaining correct and practical advice is recommended before making such claims on your self-assessment tax return.

We would be delighted to assist in advising, structuring and then completing the relevant returns where such a claim will be made.

For all your business, tax and wealth needs.

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