

STARTING A PRIVATE PRACTICE

Working abroad

So you want to get away from it all? Many private consultants will consider working abroad either temporarily or for good. **Martin Murray** continues his series for those newer to the role with a look at the key financial areas to consider. And he explodes a few myths that those well established in private practice should beware of too

MANY PERSONAL and financial issues need to be taken into account if you are thinking of spending some time working overseas, as consultants often do.

This article looks at some of the main factors but cannot be construed in any way as being a comprehensive list, because this will depend on individual circumstances.

Emigration

Probably the easiest thing to consider is emigration. Quite simply, someone leaves the country for good. All the assets are sold and the sunnier climate beckons. Life could not be any sweeter.

But if you are taking up an appointment abroad, then the issues listed below need to be thought through.

UK tax still needs to be considered depending on when in the tax year emigration takes place. For those with private practices, there could still be a hangover of tax bills to pay. Detailed planning from your accountant is needed.

Beware of changes to the residency rules, which for the unwary may mean you are still resident in the UK for tax. Basically, you are considered resident if you are present for 183 days during a tax year or present for 90 days or more over the preceding four years or arrive back in the UK intending to be present for more than 90 days on average over four years.

Inheritance tax may also be an issue to contend with. You may

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still be deemed domiciled in the UK for inheritance tax if you were resident in the UK in the previous 17 out of 20 years ending in the year of death.

Pension arrangements and any transfers will need specialised planning, since future exchange rate differences when you retire can have an adverse impact on your future financial resources. Just look at the recent movements of sterling against the dollar and the euro.

Various life and income protection policies need to be reviewed to ensure moving abroad does not negate them. This applies irrespective of whether or not they have been claimed.

Possibly it is better to hedge one's bets and keep some property in the UK even if it is smaller than the previous home. A major detriment in returning to the UK is the discrepancies between property prices and movements in prices between different countries.

Temporarily working abroad

Let us first look at private practice income earned abroad.

Many consultants are under the impression that if private practice income is earned abroad, then it has no relevance for UK tax. This could not be further from truth.

The taxation of income earned abroad is dependent on a number of factors. These include length of time abroad, residence and domicile status of the individual concerned.

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If someone is resident and that is year on year in the UK, then generally they are taxable on their UK earnings.

In respect of overseas earnings, it is dependent on domicile. In simple terms domicile is that of a person's father unless they assumed the domicile of another country through their acts or deeds. It can, in some circumstances, prove to be a difficult area.

If someone is both resident and domiciled in the UK, then they are taxable on their worldwide income wherever it arises. This means any investment income and earnings from abroad are taxable even if not brought into the country. There are one or two minor exceptions to this rule.

The above rule differs for someone who may be resident but whose domicile is not the UK. In this case, overseas earnings are not taxable unless remitted into the UK.

However, beware new rules that came into effect from April 2008 which may mean that HM Revenue and Customs (HMRC) could charge you a levy of £30,000 if you wish to keep your entitlement to suffer tax only on that remitted back to the UK.

This is a complex area and is still being amended and those to whom it applies should seek advice from their accountant.

Limited companies

Some consultants who are domiciled in the UK for tax purposes



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set up companies to avoid paying tax on what they earn abroad.

Unfortunately, this does not work because a company, irrespective of where it is formed – even abroad, is still treated by HMRC as a UK company if it is under the control and direction of UK residents.

This rule also applies to what is known as ‘shadow directors’. The shares and apparent control are overseas but in fact controlled by someone resident in the UK.

Double taxation

It must be remembered that income earned abroad, as well as being taxable in the UK, may also suffer tax in the country in which it is earned.

Thus tax can effectively be paid twice. In these circumstances, most countries have what is known as ‘double taxation treaties’ that determine which country should tax the income or how tax is to be levied if taxable in both.

In the absence of any treaty, it is normally the case that the HMRC gives unilateral relief if tax is paid abroad by way of a credit against the UK tax.

For example, if the consultant pays tax at the rate of 40% here and has suffered tax at 35% abroad, he or she is still liable to UK tax at 40% but only pays the

difference of 5%. If the tax suffered abroad is higher than the UK, then no further liability arises.

On moving to the new job abroad, certain travel and accommodation expenses together with normal private practice expenses will still be allowable. The expenses that can be claimed may differ between countries.

Employment

More and more consultants are looking at overseas sabbaticals before taking up employment overseas.

The big issue for any that take up some form of employment is that, if it has not been for a full tax year, then the overseas employment is still taxable in the UK even though tax may have been deducted at source in the foreign country.

This rule applies even if the employment exceeds 365 days but straddles two tax years.

If there is no ‘double taxation treaty’, then the same principles to self-employed private practice income applies.

Other important issues relate to various insurances and restrictions placed by insurers in certain countries.

It is important that, as far as possible, there is no break in respect of the NHS Pension and

this may be something that, in certain circumstances, can be negotiated with your NHS trust before leaving for overseas.

It is essential before venturing abroad or dealing with any over-

seas issue that matters are discussed with your accountant. ■

Martin Murray is a partner at Sandison Easson & Co, specialist medical chartered accountants

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