



ALVAREZ & MARSAL TAXAND

THE UK STATUTORY RESIDENCE TEST (SRT)

WHAT YOU NEED TO KNOW

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WHAT YOU NEED TO KNOW

There are many reasons why individuals may decide to move to, or leave the UK ; employment reasons, personal circumstances, a lifestyle choice or most recently the impact of COVID-19 may have led to individuals staying in the UK longer than planned due to government enforced travel restrictions.

From 6 April 2013 HMRC introduced the UK Statutory Residence Test (SRT), a prescriptive set of tests to determine a taxpayer's residency status for each UK tax year.

The SRT takes into account:

- The amount of time you spend and, where relevant, work in the UK
- The connections you have with the UK

Under the SRT there are three tests to consider:

1. Automatic Overseas Test
2. Automatic UK Test
3. Sufficient Ties Test

The tests are examined in order; if you meet the criteria for test 1 you don't need to continue, if you do not meet test 1 then you proceed to test 2 and so on.

Each test is based on factors tying the taxpayer to the UK. Whilst for tests 1 and 2 this mainly involves counting 'days' of presence in the UK during a tax year, test 3 is based upon a number of factors. Where a taxpayer is present in the UK 183 days or more in a tax year, they are automatically deemed resident and there is no need to apply the rest of the residency tests.

What is a 'day' in the UK?

A 'day' for the SRT is considered a day in which the taxpayer is present in the UK at midnight. If you have left before the end of the day it does not count as a day of UK presence (unless you are caught under the deeming rule).

Split year

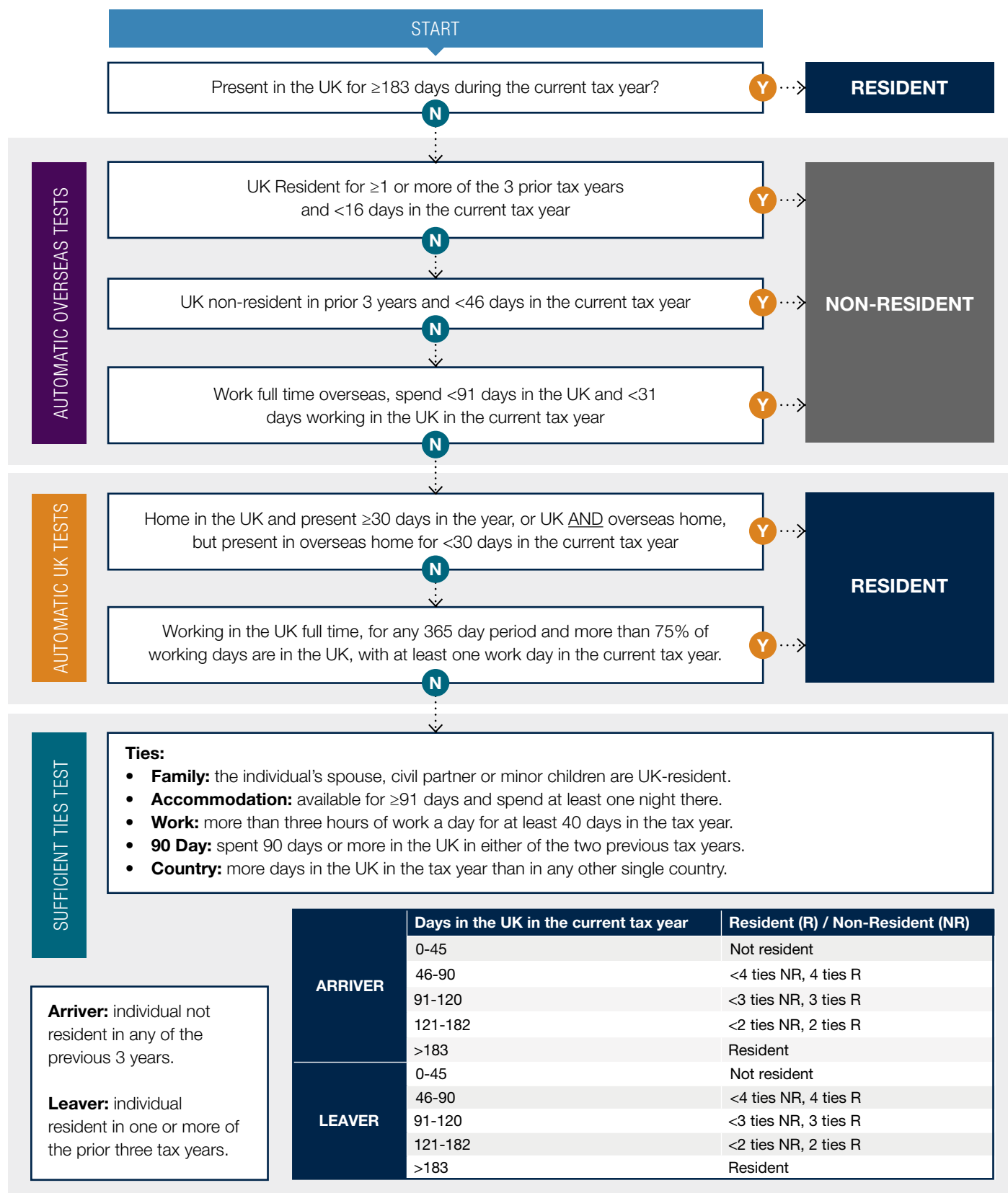
In certain circumstances, the tax year can be split, with the individual being UK resident for part of the year and non-UK resident for the remainder. Split year treatment is available to individuals arriving to, or leaving from, the UK in a particular tax year. We would always recommend that further advice is sought on when the year is split as part of pre-entry and exit tax planning.

It is possible for an individual to be resident in more than one jurisdiction during the year. Where this is applicable the taxpayer may be able to look to claim under a tax treaty to determine their residency position. Tax treaties are a complex area of tax, so again it is always recommended that advice is obtained.

Statutory Residence Test flowchart

An individual's residence status for UK tax is determined using the statutory residence test (SRT).

The SRT flowchart is designed to assist individuals in determining their residence status. In particular, the flowchart gives only an indication of residence and should not under any circumstances be relied upon to determine UK residence status.



Disclaimer

The SRT flowchart overleaf is intended as a rough guide to aid individuals with determining their residency status, and should not be wholly relied upon. The SRT legislation and guidance contain many caveats and nuances – which are not reflected in the flow chart – that can impact an individual's residence. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

HOW A&M TAXAND CAN HELP?

Our Private Client Services team provides clients with an integrated solution to deliver proactive advice on all planning, cash flow and compliance issues, saving time and allowing partners to make informed choices.

The team is also US/UK dual tax qualified, so can also assist with taxpayers who have a US connection to their taxes also, be that needing to layer on US tax advice or compliance.

A&M Taxand has extensive expertise in all areas of UK, US and international tax through the global firm, and the Taxand network, which covers many other jurisdictions.

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ABOUT ALVAREZ & MARSAL TAXAND

Alvarez & Marsal Taxand, an affiliate of Alvarez & Marsal (A&M), a leading global professional services firm, is an independent tax group made up of experienced tax professionals dedicated to providing customized tax advice to clients and investors across a broad range of industries. Its professionals extend A&M's commitment to offering clients a choice in advisors who are free from audit-based conflicts of interest, and bring an unyielding commitment to delivering responsive client service. A&M Taxand has offices in major metropolitan markets throughout the U.S., and serves the U.K. from its base in London.

Alvarez & Marsal Taxand is a founder of Taxand, the world's largest independent tax organization, which provides high quality, integrated tax advice worldwide. Taxand professionals, including almost 550 partners and more than 2,500 advisors in 50 countries, grasp both the fine points of tax and the broader strategic implications, helping you mitigate risk, manage your tax burden and drive the performance of your business.

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