UK Taxation
Basic Guide

This guide is designed to provide information on how an individual with an Ardan portfolio account will be taxed once they return to the UK and become a UK tax resident.

HOW IS IT TAXED?

The sale of any investments within the portfolio account or a switch between investments is a disposal for capital gains tax (CGT) purposes and may give rise to a capital gains liability.

Investments held within the portfolio account may also receive taxable income in the form of interest or dividend payments. This income is generally paid to the cash account within portfolio. The make-up of the underlying investment will determine if the income received is to be taxed as either interest or dividend income.

The income generated is subject to tax regardless of whether this is accumulated, re-invested into the fund or paid directly to the client.

WHAT IS CAPITAL GAINS TAX?

CGT is the tax when disposing of a chargeable asset. Only the gain (increase in value), after the deduction of any costs, allowable losses and the annual exemption is taxable and not the actual amount received.

The assets held within the portfolio account are treated independently when calculating whether there has been a gain or loss for CGT. This makes it possible to dispose of one asset and retain another therefore allowing any CGT liability to be spread over different tax years.

Where the same asset has been purchased at different dates and for different prices, the calculation for CGT will be calculated based on an average purchase cost.

CGT ANNUAL EXEMPTION

The annual exemption (per UK tax year) is available to each UK tax resident. The allowance is currently £12,300 and has been frozen until April 2026. If the gain falls within the annual exemption, there will be no CGT liability.

Example

Mr Smith has a share portfolio he bought in 2010 for £10,000. He sells the whole portfolio in 2021 for £21,000 realising a gain of £11,000 (£21,000 - £10,000).

The gain falls within the available CGT annual exemption of £12,300. Therefore, there is no tax liability.

The annual exemption is deducted after any 'allowable losses' from the same tax year have been deducted. It cannot be carried forward to another tax year.

DIVIDEND / INTEREST

An individual is able to receive £2,000 in dividend income each tax year before this is taxable. An individual also has a personal saving allowance that could allow either £1,000 or £500 (depending on other income) to be used against any interest income they receive.

In some cases, individuals may be able to make use of the 'starting rate of savings' which allows an additional £5,000 to be used against any interest income received.

ARDAN INTERNATIONAL

ALLOWABLE LOSSES

When a loss is realised from the disposal of a 'chargeable asset' this is called an 'allowable loss'; these can be offset against any gains. To claim, any allowable losses must be reported to HMRC within 4 years after the end of the tax year that the assets were disposed of.

It is only possible to claim an 'allowable loss' where the disposal of the asset would have resulted in a CGT liability had there been a gain.

RELIEFS

There is no apportionment relief available on chargeable assets held by individuals whilst non-UK resident. Nor is there any form of automatic rebasing of the portfolio account when an individual returns to the UK.

However, by using a process known as 'bed and breakfasting' it is possible to rebase the value of the portfolio account prior to becoming UK resident.

BED AND BREAKFASTING

This process works by disposing of any assets held within the portfolio account while non-UK resident and repurchasing the same or different assets the following day.

The future gain upon disposal will be calculated based upon the upshift in value after the assets were repurchased and not the original purchase.

IMPORTANT NOTES

Every care has been taken to ensure that the information provided is current and in accordance with our understanding of current law and Her Majesty's Revenue and Customs' (HMRC) practice as at January 2022. You should note however, that we cannot take on the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change.

You should bear in mind that tax rules can change in future and their effects on you will depend on your individual circumstances