



UK STATUTORY RESIDENCE TEST RULES

The Statutory Residence Test rules were legislated in 2013. Public consultation on tax residence raised a number of issues which require resolution to ensure the legislation achieves its primary aim of providing certainty for both individuals and businesses.

Those not resident in the UK in all of the previous three tax years but present in the UK for fewer than 45 days in the current tax year will be considered not resident as will those resident in UK in one or more of the previous three tax years but present in the UK for fewer than ten days.

Those who leave the UK to carry out full-time work abroad, providing they spend less than 90 days and fewer than 20 days working in the UK, will also be considered non-resident.

Individuals will continue to be automatically considered resident if they are in the UK for more than 183 days a year, work full-time in the UK or their only home and their family is in the UK.

If these conditions do not confirm residency status, it is proposed individuals not resident in the UK in any of the previous three years be categorised “arrivers” while those who have been resident in one or more of the previous three tax years be categorised “leavers”.

Residency of both will be decided by the number of “*connection factors*” - including family residence and whether they have accessible accommodation in the UK - which apply to them. The number of factors which determine residency will depend on which category they are in and the amount of time they have spent in the UK in the current and previous tax years. The paper admitted the status of the vast majority of people would not be affected by the test and that it will simply make residency status easy to discern.

Introducing a statutory residence status is a basic change to the British tax system. It is essential to create a workable, well-conceived and reasonable test that can stand the test of time.