

You can't keep your company UK tax resident when contracting abroad

It's not unusual today for UK-based contractors to receive offers for work from other countries.

Should contractors decide to take up such an offer, it might seem easiest to just keep their UK-based companies, and to bill for the activities in the US or Australia or whatever from here.

Unfortunately, except for very short assignments, you can't do that. If you are planning to work abroad for more than six months, your company will be taxed under the regime of the country in which you are working. This can mean paying significantly higher rates of tax, of course, as a spokesman for HM Revenue & Customs says. It doesn't matter where you are incorporated: you pay tax where you go and work.

Don't Be Fooled

Don't be fooled: you can get into endless depths of case law and bilateral tax treaties regarding where you are supposed to be taxed if you maintain your UK limited company and work in another country. The complexities are endless and you can spend a great deal of time on it in hope of saving money.

Where The Brains Are Is Your Company

But at the end of the day, as the spokesman for HMRC points out, the only way to keep your company taxable in the UK is to maintain a real centre of control in this country. It's not a matter of who's on the board and where they live, or if you spent 35 versus 36 days in one place or another which is what you'll get into if you start reading tax treaties.

The tax authorities here and abroad will ask: where is the real centre of control? If you are a one-person company, that's going to be an easy question to answer since by definition where you go the brains go. Same is true if you have a home office back in the UK which your cousin uses to do your books, or something like that.

So, as the HMRC spokesman points out, even if you have partners in the UK who help you to run the company on the board, so long as you are the one doing the work and making the decisions, you'll pay tax where you are.

Possible For Short Assignments

In practical terms, for very short assignments, you can keep your UK company. For periods of up to six months, while you are technically liable for tax where you are working, the authorities won't really be able to catch up with you if you continue paying tax at home and you go back home. So long as you pay tax in the UK on that earned income you will be effectively within the law.

But for longer periods, you should be advised that you will have to make a lot of changes to cope with foreign tax and employment rules. Some countries won't let you contract as a company in their jurisdictions; others will oblige you to register as a contractor in that country (which will effectively put you under their tax regime).

So do bear in mind that you can't have it both ways, and realise that going abroad to work involves a major commitment.

Published: Monday, March 3, 2008

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