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Taxes in both countries

Filing in the US and the UK, avoiding double tax, stock awards and running a US business from here.

Build your free, personal move plan at **yourlandfall.com/plan**: five questions, and only the steps that apply to you.

yourlandfall.com · Based in Scotland, covering the UK.

General information, not personal tax, financial, legal or immigration advice.

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1 · TAXES IN BOTH COUNTRIES

Do I still have to file US taxes after moving to the UK?

THE SHORT ANSWER

Yes. US citizens and green card holders file a US return every year, wherever they live. Most people living in the UK owe little or no US tax, because UK tax usually covers it, but the filing doesn't stop.

Who still has to file

The US taxes its citizens on their worldwide income, wherever they live. So if you're a **US citizen** (including a dual citizen, or someone born abroad to an American parent) or a **green card holder**, you keep filing a US return after you move.

If you're neither, you generally stop filing once you leave, although income from US sources, such as rent from a US property, can still be taxed in the US.

What you file each year

Your US return reports your worldwide income, including your UK salary, interest and gains. Depending on your situation, it can come with:

- **Form 1040**, your normal federal return.
- **Form 1116 or Form 2555**, to claim foreign tax credits or to exclude foreign earnings.
- **The FBAR (FinCEN Form 114)**, if your non-US accounts add up to more than $10,000 at any point in the year. Joint accounts with a non-US spouse count.
- **Form 8938**, if your foreign financial assets pass higher limits. For a single filer living abroad, that's more than $200,000 at year end or more than $300,000 at any point in the year.

Deadlines for people living abroad

The two tax years don't line up. The US year runs January to December. The UK year runs **April 6 to April 5**.

What	Normal date	If you live abroad
US tax owed	April 15	April 15. Interest runs from here.
US return	April 15	June 15 automatically, October 15 if you ask for an extension
FBAR	April 15	October 15 automatically
UK Self Assessment (online)	January 31 after the UK tax year ends	Same

How you avoid paying tax twice

Two tools stop double tax:

- **Foreign tax credits** let you set UK tax you've paid against US tax on the same income.
- **The foreign earned income exclusion** takes foreign earnings out of US tax, up to an annual limit.

Most people working in the UK do better with foreign tax credits, because UK tax on the same income is usually higher than US tax. The right choice depends on your income and your family, and switching back and forth has restrictions, so it's worth deciding properly once.

Why the order matters: because the tax years differ, your US and UK returns each need figures from the other. Prepared separately, one of them is usually wrong.

Traps for new arrivals

- **UK ISAs aren't tax-free for the US.** The income is taxable on your US return, and UK funds held inside one can trigger harsh US rules for foreign funds.
- **Your US funds can be taxed as income in the UK.** See mutual funds and ETFs in the UK.
- **Paying off a UK mortgage can create US tax.** If the pound falls against the dollar while you owe in pounds, the US can tax the currency gain.
- **Giving up a green card has rules.** Long-term holders can face US exit tax. Get advice before you surrender it.

What to do next

If you have more than a salary, such as investments, a US home or a business, this is where specialist help usually pays for itself. Build your move plan to see every step that applies to you.

When do I start paying UK tax?

THE SHORT ANSWER

When you become UK tax resident under the Statutory Residence Test. In the year you arrive, split-year treatment can mean UK tax only applies from your arrival date, and new arrivals may be able to claim four years of relief on foreign income and gains.

The UK tax year

The UK tax year runs from **April 6 to April 5**, not January to December. Everything below works in UK tax years.

The Statutory Residence Test

Whether you're UK resident for a tax year is decided by the **Statutory Residence Test**. In short, it works in three stages:

1. **Automatic overseas tests.** If you meet one, you're not UK resident for that year (for example, very few days in the UK).
2. **Automatic UK tests.** If you meet one, you are UK resident (for example, spending 183 days or more in the UK, or your only home being in the UK).
3. **Sufficient ties test.** If neither applies, your days in the UK are weighed against your ties here, such as family, a home, work and time spent here in earlier years.

Most people who move here to live and work become UK resident in the tax year they arrive.

Split-year treatment

If you arrive part-way through a UK tax year, you may not be taxed as a UK resident for the whole year. **Split-year treatment** divides the year into an overseas part and a UK part, so UK tax on most foreign income only applies from your arrival.

It applies only in set situations, such as starting full-time work in the UK or making the UK your only home. It's applied on your UK tax return, so it matters which situation you're in.

The four-year regime for new arrivals

Since April 2025, the UK has a **foreign income and gains (FIG) regime** for new arrivals. If you were **not UK resident in each of the previous 10 tax years**, you can claim relief from UK tax on foreign income and gains for your **first four tax years** of UK residence.

Points to know:

- It has to be **claimed** on your UK return, year by year.
- Claiming it can cost you some UK allowances for that year.
- For Americans it interacts with US tax. Income relieved in the UK can still be taxed by the US, without UK tax to credit against it. It's often still worthwhile, but it needs working through.

What to do next

The day UK residence starts is the date the rest of your plan hangs on: when to sell investments, what happens to a US home sale, and which returns you file. Build your move plan to see the steps for your situation.

How do I avoid paying tax twice on the same income?

THE SHORT ANSWER

The US–UK tax treaty and US foreign tax credits are designed so you pay roughly the higher of the two countries' tax, not both. Most Americans living in the UK use foreign tax credits, because UK tax is usually higher. It only works if both returns are prepared with each other in mind.

The basic idea

As a US citizen or green card holder living in the UK, both countries can tax you:

- **The UK** taxes you because you live here.
- **The US** taxes you because of your citizenship or green card.

The fix isn't to pay once. It's that the US usually lets you **credit** the UK tax you've paid against your US tax on the same income. Because UK rates are usually higher, the US bill on UK salary often comes to zero.

Your two main tools

	Foreign tax credit (Form 1116)	Foreign earned income exclusion (Form 2555)
How it works	UK tax paid is set against US tax on the same income	Earnings up to an annual limit are left out of US tax
Covers	Earnings and most other income	Earnings only, not investment income
Unused amounts	Excess credits can carry forward for up to 10 years	Nothing carries forward
Usually better when	Your UK tax is higher than your US tax would be (most people)	You pay little UK tax on earnings

Two things families should know:

- **The child tax credit.** If you use the exclusion, you generally can't get the refundable part of the US child tax credit. Using foreign tax credits keeps it available.

- **Switching is restricted.** Once you've used the exclusion and then revoke it, you generally can't choose it again for five years without IRS consent.

What the treaty does, and doesn't do

The US–UK treaty decides which country gets first right to tax different kinds of income, such as pensions, dividends and property. But it has a **"saving clause"**: the US keeps the right to tax its own citizens as if the treaty didn't exist, except in specific areas such as pensions. So for most income, foreign tax credits are what actually stop double tax.

Social security: National Insurance vs Social Security

You usually pay into only one system. Under the US–UK **totalization agreement**, people employed in the UK generally pay **National Insurance**, not US Social Security. Short-term secondments from a US employer can stay in the US system with a certificate. Self-employed people need to check which system applies.

Why the timing trips people up

The UK tax year runs **April 6 to April 5**; the US year is the calendar year. Your US return needs UK tax figures that may not be final yet, and your UK return may need US figures. Doing them separately is how credits get missed or claimed twice.

What to do next

If you have only a UK salary, this is usually straightforward. If you also have investments, rental income, a business or stock awards, specialist advice usually pays for itself. Build your move plan to see where it fits.

Do I need to file a UK tax return?

THE SHORT ANSWER

Not always. If all your income is a salary taxed through payroll (PAYE), you may not have to. But most new arrivals from the US do file, because split-year treatment, foreign income and the four-year regime for new arrivals are all claimed on a UK Self Assessment return.

How UK tax is usually collected

Most UK employees never file a return. Their employer deducts tax through **PAYE** (Pay As You Earn), using a **tax code**, and that's the end of it.

Americans often need more than that, because PAYE only handles your UK salary.

When you'll probably need to file

You'll usually need a **Self Assessment** return if, for example:

- you want **split-year treatment** in the year you arrive
- you want to claim the **four-year regime** for foreign income and gains
- you have **foreign income or gains**, such as US interest, dividends, rent or a home sale
- you're **self-employed** or have **rental income**
- you have **other untaxed income** HMRC can't collect through your tax code

Registering

If you haven't filed before, you need to **register** for Self Assessment. You'll get a **Unique Taxpayer Reference (UTR)**.

- Register by **October 5** after the end of the tax year you need to file for.
- The tax year runs **April 6 to April 5**, so for a year ending April 5, 2027, register by October 5, 2027.

Key dates

What	Deadline
Register for Self Assessment	October 5 after the tax year ends
Paper return	October 31 after the tax year ends
Online return	January 31 after the tax year ends
Pay what you owe	January 31 after the tax year ends
Payments on account (if they apply)	January 31 and July 31

Payments on account are advance payments toward next year's bill. They usually apply once your bill outside PAYE passes a set level. They can come as a surprise in your second year, when you pay last year's balance plus the first advance payment at the same time.

Making Tax Digital

The UK is moving self-employed people and landlords above set income levels to **Making Tax Digital**, with quarterly digital updates using approved software. If you'll have business or rental income, check whether it applies to you.

Getting it right with your US return

Your UK and US returns use different tax years and each needs figures from the other. Preparing them together avoids missed credits and double counting. See how to avoid paying tax twice.

What happens to my stock options and RSUs when I move to the UK?

THE SHORT ANSWER

They can be taxed by both countries. The UK generally taxes the part of an award that relates to days you worked in the UK, while the US taxes you on all of it as a citizen and gives credit for UK tax. Mapping your vesting dates against your move date before you go is the key step.

Why awards are tricky

Restricted stock units (RSUs) and options are usually earned over a **vesting period** that can run for years. If you move part-way through, part of the award was earned while you worked in the US and part while you worked in the UK.

How each country looks at it

- **The UK** generally taxes employment income from an award when it vests (RSUs) or when you exercise (most options). For people who move, it usually taxes only the share that relates to **UK workdays** during the vesting period.
- **The US** taxes you on the whole amount as a citizen or green card holder, and gives **foreign tax credits** for UK tax on the UK part.
- The **treaty** helps decide which country has the first right to tax which part, so credits go the right way.

Payroll surprises

Your employer may run UK tax and National Insurance through **UK payroll** when shares vest, and may also report the income in the US. Over- and under-withholding is common in the first couple of years. Check that the UK share calculation uses the right workday split.

Things to plan before you move

- **List every grant** with its grant date, vesting dates and type (RSU, incentive stock option, non-qualified option).
- **Check timing**: a vest shortly before you move may be US-only; one shortly after may be split.

- **Incentive stock options (ISOs)** can lose their US tax advantages if the timing goes wrong, and don't get special UK treatment.
- **Selling shares later**: any growth after vesting is a capital gain, which the UK can tax once you're resident.

What to do next

Equity awards are one of the steps where specialist advice usually saves more than it costs, especially for large or frequent vests. Build your move plan and pick "Stock options or RSUs" to see the steps in order.

What happens to my US business or LLC when I move to the UK?

THE SHORT ANSWER

The US and UK often see the same business differently. A single-member LLC that the IRS ignores is usually treated as a separate company by the UK, and an S corporation's profits can be taxed at different times in each country. If you run the business from the UK, it may also become UK resident for tax. Get advice before you move.

The core problem: two views of one business

For US tax, many small businesses are “see-through”. A single-member LLC is usually **disregarded**, and an S corporation’s profits flow through to its owners each year.

The UK often doesn’t follow that view:

- **LLCs** are generally treated by HMRC as **companies** in their own right. Profits you’d report personally in the US can be seen in the UK as the company’s profits, taxable to you only when paid out.
- **S corporations** are companies in UK eyes. The profit the US taxes you on each year may not be your income for UK purposes until it’s distributed.

When the two countries tax the **same money at different times or as different kinds of income**, foreign tax credits may not line up, and you can end up paying more than you should.

Where the business is managed

A company can become **UK resident for tax** if it’s centrally managed and controlled from the UK. If you’re the sole decision-maker and you now live here, that can apply to your US company, bringing its profits into UK corporation tax.

Common options people look at

These all need personal advice:

- keeping the business and changing how profits are paid out
- changing the US tax classification before you move
- setting up a UK company or operating as a UK sole trader for UK work

- winding up a dormant entity before you become UK resident

Also check

- **US state filings and registered agent** requirements if you're no longer living in the state.
- **Banking**: some US banks restrict business accounts for owners living abroad.
- **Payroll and social security** for yourself and any staff.

What to do next

This is one of the most valuable steps to get right before you become UK resident. Build your move plan and pick "A business or LLC".

About Landfall

Landfall helps Americans plan their move to the UK, with free move plans and guides that cover both countries. It's run by Leah Guevara from Edinburgh. Based in Scotland, covering the UK.

Members get dated reminders, templates, a community and time with Leah. When a step needs a qualified specialist, such as tax in both countries, investments or immigration, we say so plainly and can introduce you to people we trust. Some specialists pay us an introduction fee; we always say when.

Your next step: build your free move plan at yourlandfall.com/plan, or see memberships at yourlandfall.com/membership

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