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LANDFALL GUIDE · TAXES IN BOTH COUNTRIES

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.

For US citizens and green card holders moving to the UK. Build your free, personal move plan at **yourlandfall.com/plan**.

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.

See every step for your move. Answer five questions and get a free plan in the right order: yourlandfall.com/plan