



DR. PETER WILSON

UK TEMPORARY NON-RESIDENT RULE

 **PB First
Global
Tax**
Our Expertise, Your Advantage

7th May 2026

INTRODUCTION

Welcome!

The UK's Temporary Non- Resident Rule



SECTION 1

The UK's Temporary Non-Resident Rule

1 CIRCUMSTANCES



When would a natural person be a temporary non resident under the UK statutory non resident test?

1. The individual was UK-resident before leaving

You must have been UK resident in **at least 4 of the 7 tax years** immediately before the year you became non-resident

When would a natural person be a temporary non resident under the UK statutory non resident test?

2. The individual becomes non-UK resident under the Statutory Residence Test

You must be **non-UK resident under the SRT** for one or more tax years.

This typically happens by:

- Leaving the UK to **work full-time overseas**, or
- Significantly reducing UK days and UK ties

When would a natural person be a temporary non resident under the UK statutory non resident test?

3. Period of non-residence is short

You must be **non-UK resident for fewer than 5 complete tax years.**

If you are non-resident for **5 complete UK tax years or more**, you are **not** temporarily non-resident.

- These are tax years **between** the last year of UK residence and the year of return
- Part years at each end don't count toward the 5-year threshold

Non-residence of 1–4 complete tax years = temporary non-resident

Non-residence of 5+ complete tax years = not temporary

When would a natural person be a temporary non resident under the UK statutory non resident test?

4. The individual becomes UK-resident again

You must subsequently **return to UK tax residence** under the SRT.

Only on return do the **temporary non-residence rules actually bite**.

SECTION 2

The UK's Temporary Non-Resident Rule

2

INCOME TAX



What are the Income Tax consequences of being a TNR?

In the UK, **“temporary non-residence” does not itself trigger income tax while you are abroad.**

The **Income Tax consequences arise only if and when you return to UK residence,**

- and only for **specific, targeted types of income** that were received while you were non-resident.

What are the Income Tax consequences of being a TNR?

While non-UK resident, you are **not charged UK Income Tax** on most foreign income.

You are taxed only on:

- UK-source income (e.g. UK property income).
- Specific UK employment duties.
- Other limited UK-source items.

Temporary non-residence **does not change this**

What are the Income Tax consequences of being a TNR?

Should you return permanently to the UK, HMRC can 'claw back' certain income received while you were non-resident:

- **Distributions from close companies**
- **Employment-related securities income**
- **Pension-related income**
- **Trust income**

SECTION 3

The UK's Temporary Non-Resident Rule

3

CAPITAL GAINS TAX



What are the Capital Gains Tax consequences of being a TNR?

If you become **temporarily non-resident**, certain **capital gains** made while you were non-resident are **taxed when you return to UK residence**, as if they arose in the year of return.

This is an **anti-avoidance measure** to prevent individuals from:

Leaving the UK temporarily

Disposing of assets while non-resident (and outside UK CGT)

Returning to the UK having avoided tax

What are the Capital Gains Tax consequences of being a TNR?

When Do the CGT Rules Apply?

You must meet **all four conditions**:

Prior UK Residence

UK resident in at least **4 of the 7 tax years** immediately before the year you became non-resident

Become Non-UK Resident

Non-UK resident under the Statutory Residence Test for one or more complete tax years

Temporary Period (Fewer than 5 Years)

Non-resident for **fewer than 5 complete tax years**

If you stay abroad for 5 complete tax years or more, the CGT charge does **not** apply

Return to UK Residence

You subsequently return to UK tax residence

What are the Capital Gains Tax consequences of being a TNR?

Which gains are caught?

Assets Owned Before Departure

Gains on assets you **owned before leaving the UK** are taxable on your return if disposed of during temporary non-residence.

Key assets typically affected:

- **Shares and securities** (including in private companies)
- **Investment properties** (excluding your main residence)
- **Business assets**
- **Crypto assets**
- **Valuable chattels** (art, jewelry, etc.)

Critical timing:

The asset must have been:

- **owned when you were UK resident** (typically before leaving)
- Disposed of **while temporarily non-resident**
- Gain is taxed **in the year you return**

What are the Capital Gains Tax consequences of being a TNR?

Main Residence - Partial Relief

Your **principal private residence (PPR)** has special protection. If you dispose of your **only or main residence** while temporarily non-resident:

- **PPR relief may still apply** for periods when it was your actual residence
- The temporary non-residence charge **does not override** PPR relief
- But any **non-exempt portion** of the gain would be caught

Example:

- Own home for 10 years while UK resident
- Become non-resident, live abroad for 3 years
- Sell the property while non-resident
- Return to UK in year 4
- **PPR relief applies** for the period it was your actual home
- Any **taxable gain** (e.g., from letting) is charged on return

What are the Capital Gains Tax consequences of being a TNR?

Assets Acquired While Non-Resident

Not normally caught - the temporary non-residence rules typically apply only to:

- Assets **owned before departure**, or
- Assets that **derive from** assets owned before departure (e.g., shares from a reorganization)
- **Assets purchased while abroad and sold while abroad** are generally **outside UK CGT** entirely.

SECTION 4

The UK's Temporary Non-Resident Rule

4

AMOUNTS CLASSED AS INCOME



Which amounts are classed as income under the TNR rule?

Dividends and Distributions – (shares, options & securities)

- Paid by a close company.
- The distribution is received while the individual is non-UK resident.
- The individual had a material interest in the company before leaving the UK.
- The individual returns to UK residence within 5 complete tax years
- These amounts are taxed as income in the tax year of return, not when received overseas.

Certain employment income (UK-linked or deferred)

The following employment-related receipts can be classed as income under the temporary non-residence rules:

- Deferred remuneration (e.g. bonuses)
- Termination payments
- Earnings that relate to UK duties performed before departure
- Income that would have been taxed in the UK but for the temporary absence
- Pure salary for overseas duties performed while non-resident is generally excluded.

Which amounts are classed as income under the TNR rule?

Deferred remuneration (e.g. bonuses)

General deferred bonuses are **not automatically** caught.

Need specific connection to UK duties or employment-related securities.

Termination payments

Only certain termination payments relating to UK employment.

Not a primary TNR income category.

Earnings that relate to UK duties performed before departure

Important to look at **when** these were paid, not just when earned.

Which amounts are classed as income under the TNR rule?

Certain pension payments

The rules apply to specific pension-related income, including:

- Unauthorised pension payments
- Certain lump-sum withdrawals
- Some chargeable pension receipts structured to fall outside normal UK tax during non-residence. (These can be taxed as income when UK residence resumes).

Chargeable event gains (life policies)

The following are treated as income if realised while temporarily non-resident:

- Gains on UK life insurance policies
- Capital redemption policies
- Certain annuity contracts

SECTION 4

The UK's Temporary Non- Resident Rule

5

CAPITAL



Which amounts are classed as Capital under the TNR rule?

ASSETS OWNED BEFORE DEPARTURE

Shares and Securities

- **Quoted shares** (UK and overseas)
- **Unquoted shares** (private company shares)
- **Employee share schemes** (shares acquired through employment)
- **Investment funds** (OEICs, unit trusts)
- **Bonds** (corporate bonds, unless exempt)

Which amounts are classed as Capital under the TNR rule?

ASSETS OWNED BEFORE DEPARTURE

Investment Property

- **UK residential property (not your main residence)**
- **UK commercial property**
- **Overseas property**
- **Land**

Which amounts are classed as Capital under the TNR rule?

ASSETS OWNED BEFORE DEPARTURE

Business Assets

Trading business assets

Partnership interests

Goodwill

Intellectual property (patents, trademarks owned before departure)

Which amounts are classed as Capital under the TNR rule?

ASSETS OWNED BEFORE DEPARTURE

Cryptocurrency and Digital Assets

Bitcoin, Ethereum, and other crypto

NFTs (Non-Fungible Tokens)

Digital tokens

If owned before departure and disposed of while non-resident

Which amounts are classed as Capital under the TNR rule?

ASSETS OWNED BEFORE DEPARTURE

Valuable Chattels

Art and antiques (worth >£6,000)

Jewelry

Classic cars

Collectibles (wine, stamps, etc.)

Standard CGT chattels rules apply

Which amounts are classed as Capital under the TNR rule?

ASSETS OWNED BEFORE DEPARTURE

Other Capital Assets

Debts and loans (if creating chargeable gains)

Rights and options owned before departure

Foreign currency (in certain circumstances)

Which amounts are classed as Capital under the TNR rule?

Main Residence (Principal Private Residence)

Your **only or main residence** has important protection:

PPR Relief Applies:

Private Residence Relief (PRR) is not overridden by TNR rules

Gains attributable to periods when it was your **actual residence** are exempt

Final period exemption (currently 9 months) applies

Which amounts are classed as Capital under the TNR rule?

Main Residence (Principal Private Residence)

Example 1 - Full Relief:

- Own home for 8 years while UK resident
- It's your only/main residence throughout
- Leave UK April 2023, sell property June 2023 while non-resident
- Return April 2024

Gain fully exempt under PPR - TNR doesn't apply

Which amounts are classed as Capital under the TNR rule?

Main Residence (Principal Private Residence)

Example 2 - Partial Relief:

- Own home for 10 years: 7 years residence, 3 years let out
- Leave UK April 2023
- Sell while non-resident in 2024
- Return 2025
- **30% of gain taxable** in 2025/26 (3/

Dr. Peter Wilson-PB First FZ-LLC

- **PB First FZ-LLC:** Formed in the UAE in 2016 and advises on domestic and international tax.
- **Qualifications:** Dr. Wilson has a PhD in International Taxation from University of London in 2018. Also qualified in law, accounting and tax.
- **Experience:** Dr Wilson has more than 40 years experience in domestic and cross border taxation including inhouse, investment banking and professional including many years as a senior EY international tax partner of the Australian, US and UK firms and a senior PwC international tax partner based in London.
- **Clients:** The PB First FZ-LLC clients include funds, companies, foundations, partnerships, trusts, UHNWI and governments on taxation, dispute resolution and compliance covering more than 50 countries.



Contact Details



Our Expertise, Your Advantage



Dr Peter Wilson
Founder

admin@pbfirstglobaltax.com

