



Thinking beyond borders: Management of extended business travelers - United Kingdom



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Key message

An individual's liability to income tax in the United Kingdom (UK) is determined by residence status for taxation purposes and the source of income derived by the individual. Income tax is levied at progressive rates on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total assessable income.

1 Key message

Extended business travelers are likely to be taxed on employment income relating to their UK workdays. Employers also need to exercise care and should consider whether an Appendix 4 Short Term Business Visitor agreement (STBVA) and/or an Appendix 8 PAYE special arrangement for Short Term Business Visitors agreement with the UK Revenue Authorities (His Majesty's Revenue and Customs, "HMRC") is required to relax the employer reporting obligations.

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Income tax

2 Income Tax

2.1 Liability for income tax

Residency

The UK tax year runs from 6 April in each year to 5 April the following year.

An individual's UK residency status is determined using the Statutory Residence Test ("SRT").

The SRT is made up of the following types of tests:

- Automatic overseas tests;
- Automatic UK tests; and,
- A sufficient ties test.

Automatic overseas tests

An individual will meet the conditions of the automatic overseas test if **one** of the following conditions applies:

- The individual has been resident in the UK for one or more of the previous 3 tax years and will spend fewer than 16 days in the UK in the tax year; or
- The individual has not been resident in the UK in any of the previous 3 tax years and will spend less than 46 days in the UK in the tax year; or
- The individual works sufficient hours overseas in the tax year (there is a specific statutory test to determine this), spends fewer than 91 days in the UK in the tax year, and no more than 30 days are spent working in the UK.

For these purposes a workday is a day with more than 3 hours of work and may include travel time. An individual is generally treated as being in the UK for a day if present in the UK at midnight.

Automatic UK tests

An individual who does not meet any of the above tests will be regarded as automatically resident in the UK if:

- the individual spends 183 days or more in the UK in a tax year; or
- the individual has a UK home for at least 91 consecutive days, at least 30 of which are in the relevant tax year (whether consecutively or otherwise). In addition, the individual must be present in that home in the relevant tax year for at least 30 days (whether consecutively or otherwise). If the individual also has a home overseas during that 91-day period, they must not be present in that home for more than 30 days in the tax year.
- The individual works full-time (as defined in the legislation) in the United Kingdom. There is a detailed calculation set out in the legislation to determine whether an individual has worked 'sufficient hours' in the UK. However, at a high level, this test will likely be met if the individual spends more than 75% of their working time in the UK in a period of 365 days, of which at least one day is in the relevant tax year.

For these purposes a workday is a day with more than 3 hours of work and may include travel time. An individual is generally treated as being in the UK for a day if present in the UK at midnight.

If none of the automatic overseas tests and none of the UK tests are met an individual must consider the sufficient ties test to determine their UK residence.

Sufficient ties test

If the above tests are not satisfied, particular ties that an individual may have with the UK and the number of days that the individual spends in the UK have to be considered.

The ties considered relate to:

- location of family (“family tie”);
- availability of UK accommodation “accommodation tie”);
- extent of UK work (“work tie”);
- UK presence in earlier years (“90-day tie”); and
- whether more time is spent in the UK than any other country/jurisdiction (“country tie”) (only considered when the individual has been UK resident in one or more of the previous 3 tax years).

The more ties an individual has with the UK, the fewer the number of days that can be spent in the UK before the individual establishes UK residence for a tax year. KPMG in the UK’s SRT flowchart can be found [here](#) (PDF 152 KB).

Domicile

A person’s domicile is, broadly, the individual’s permanent homeland. The majority of foreign nationals employed by foreign employers who are extended business travelers or working on secondment to the UK should not be regarded as domiciled in the UK.

Please note, at the Spring Budget 2024 the UK Government announced that they propose to remove the concept of ‘domicile’ from UK taxation from 6 April 2025.

Significance of residency and domicile

A non-UK resident is subject to UK tax on UK-source income and gains on UK property and land.

Until 6 April 2025, an individual who is resident but non-UK domiciled can receive UK tax relief for days worked outside of the UK in their year of arrival and the two subsequent tax years, if the individual is taxed in the UK on the remittance basis and meets certain other conditions (this is called Overseas Workday Relief, or ‘OWR’).

Where the remittance basis is claimed, a resident but non-UK domiciled individual is subject to UK tax on foreign income and capital gains only to the extent that they are remitted to the UK. UK source income and UK capital gains are taxed as normal on the arising basis i.e., in the year in which they arise.

Individuals who meet either of the following conditions are considered to be ‘deemed domiciled’ in the UK, and are unable to claim the remittance basis:

- non-UK domiciled individuals who have been resident in the UK for 15 out of the previous 20 tax years; and,
- those resident in the UK who were born in the UK with a UK domicile of origin and who now assert a foreign domicile of choice.

Definition of source

The remittance basis rules and the source rules that accompany the remittance basis are highly complex and specialist advice should always be taken in advance.

For example, for OWR purposes, employment income such as salary, bonuses and benefits-in-kind can generally be apportioned between UK and non-UK duties based on workdays.

But OWR is only available for the first 3 years of UK tax residency and once OWR is no longer available, employment income can no longer be apportioned into UK source and foreign source based on workdays – all income from a UK employer is treated as UK source.

Once OWR is no longer available, only employment income from an employment with a foreign employer where the duties of that employment are performed wholly overseas can be treated as foreign source for the remittance basis. Specific restrictions are in place to prevent avoidance via the use of dual contract arrangements.

Changes from 6 April 2025

At the Spring Budget 2024, the UK Government announced that they propose that the concepts of domicile and the remittance basis will be removed from UK tax legislation and replaced with the new Foreign Income and Gains (“FIG”) regime with effect from 6 April 2025.

Individuals will be eligible for the new FIG regime if they were non-resident in the UK for the previous 10 UK tax years.

From 6 April 2025, individuals who are eligible and elect to be taxed on the FIG regime will only be taxable in the UK on their UK-sourced income and gains. They will not be taxable on their overseas income and gains – regardless of whether these are remitted to the United Kingdom. Such individuals will lose the benefit of the tax-free personal allowance and CGT annual exempt amount if they elect to be taxed on the FIG regime.

They can elect to be taxed under the new FIG regime for their first four years of U.K. tax residence. After this, such individuals will be taxable in the U.K. on their worldwide income and gains.

Under the new proposals, OWR will be available to individuals who are eligible for the new FIG regime. However, the individuals will no longer need to keep the earnings relating to their non-U.K. workdays outside the United Kingdom.

2.2 Tax trigger points

Technically, there is no threshold/minimum number of days that exempts the employee from the requirement to pay tax in the UK.

To the extent that the individual qualifies for relief in terms of the employment income article of an applicable double tax treaty, there should be no UK tax liability, although the individual may still have a requirement to file a tax return to claim this relief, considered in section 4. The treaty exemption will not apply if the UK entity is viewed as the individual’s “economic employer”. In general, if an employee has a foreign employer, the UK will not take the “economic employer” position if the employee is in the UK for fewer than 60 days in a tax year and that presence does not form part of a more substantial presence in the UK.

Care should also be taken when claiming treaty relief for UK residents also claiming the remittance basis, as the denial of relief due to remittance clauses may result in a higher tax charge in the individual’s home country/jurisdiction.

2.3 Types of taxable income

All earnings, whether in cash or in the form of a benefit-in-kind, provided by an employer to an employee are taxable unless specifically exempted. Typically, travel expenses to and from the UK (and accommodation) would not be taxable for an extended business traveler.

2.4 Tax rates

There are various allowances available. For the 2024/25 UK tax year, the primary allowance is the personal allowance of 12,570 Pound Sterling (GBP) (which is subject to tapering once earnings exceed GBP100,000). The other main allowances are the Savings Allowance (GBP1,000 or GBP500 depending on income levels) and the Dividend Allowance (GBP500). How these allowances interact can be complicated.

For the year ending 5 April 2025, earnings above the available allowances are taxed at 20 percent on the first GBP37,700 of taxable income, 40 percent on the next GBP87,440 of income and 45 percent thereafter.

The above rates apply to most UK taxpayers however, different rates apply to Scottish taxpayers (a discussion of who is deemed to be a Scottish taxpayer is outside the scope of this note but broadly it depends on whether the individual has a main home in Scotland – advice should be sought).

In Scotland the personal allowance is the same as the rest of the UK (GBP12,570) but the rates are as follows:

- 19% on earnings above the personal allowances up to GBP2,306
- 20% on the next tranche of earnings from GBP2,307 to 13,991
- 21% on the next tranche of earnings from GBP13,992 to 31,092.
- 42% on the next tranche from GBP31,093 to 62,430
- 45% on the next tranche from GBP62,431 to GBP125,140
- 48% thereafter

The Welsh Parliament (Senedd Cymru) also has the right to adjust tax rates for Welsh taxpayers; however, for the year ending 5 April 2025 these are the same as the rates for English and Northern Ireland taxpayers listed above.

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Social Security

3 Social Security

3.1 Liability to social security

Employers and employees who are liable for social security in the UK pay it with no upper limit. It is likely, however, that most extended business travelers would not be liable for UK social security. This could be for a number of reasons, including:

- they remain in their home country/jurisdiction's social security system under the European Union (EU) rules or the UK – EU Social Security Protocol; or
- they remain in their home country/jurisdiction's social security system under a reciprocal agreement with the UK; or
- they arrive from a non-agreement country/jurisdiction and are exempt from UK social security for the first 52 weeks they are in the UK.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

Tax returns that are filed electronically are due by 31 January following the tax year-end, which is 5 April. Paper returns have an earlier deadline of 31 October following the tax year-end.

If treaty relief applies and the employer has entered into an Appendix 4 short-term business visitors agreement with HMRC, individual tax returns do not have to be filed merely to claim the treaty relief, and the Pay-As-You-Earn (PAYE) withholding obligations can be relaxed, subject to certain conditions being met.

Similarly, if the individual's earnings are reported via an Appendix 8 PAYE special arrangement for short term business visitors and the individual does not have any other income from UK sources, they do not need to file a UK tax return.

4.2 Employer reporting and withholding requirements

As a general principle, employment income is subject to tax and social security withholding under the PAYE system. If an individual is taxable on employment income, the obligation to withhold rests with either the employer or, if the employer does not have a UK presence and is not operating withholding, it rests with the UK 'host' employer, if the business visitor is working for them while in the UK.

All employers are required to report their payroll information to the UK Revenue authority in "real time". Setting up a new payroll and a new employee to report in real-time can take some time. Therefore, it is recommended that employers seek advice as soon as they intend to send an employee on secondment.

For short term business visitors (STBV), it is highly recommended that employers agree an Appendix 4 short term business visitors arrangement with the UK Revenue authority, in order for the payroll reporting obligations to be relaxed for such employees. In addition, for UK employers with business visitors who are not covered by the terms of a tax treaty and who spend no more than 60 workdays in the UK during a tax year, an Appendix 8 Special PAYE Agreement may also be obtained from HMRC to simplify the PAYE withholding rules in such cases by allowing the employer to make one annual payroll submission by 31 May following the end of the tax year.

4.3 Permanent establishment implications

A permanent establishment could be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

4.4 Indirect taxes

The UK imposes value-added tax (VAT), which is a tax on consumer expenditure. Businesses (where they are VAT registered and fully taxable) do not bear the final costs of VAT. They are able to charge VAT on the supplies that they make (output VAT) and recover VAT on purchases that they have made (input VAT).

There are currently three rates of VAT: standard rate (20 percent, which is charged on the provision of most goods and services), zero rate (0 percent, which is charged on food, books, and children's clothing), and reduced rate (5 percent, which is charged, for example, on fuel). Attributable input VAT is recoverable on these supplies by businesses.

Some goods and services may be exempt from VAT, such as monitoring, tracking and reporting changes in circumstances of those individuals sponsored under the points-based system.

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Immigration

5 Immigration

UK immigration became a hot topic leading up to Brexit and it continues to receive a lot of attention in the press and with legislators. An individual only needs to consider UK immigration regulations if they (1) intend to physically set foot in the UK; and (2) do not hold a British or an Irish passport or UK settlement status (e.g., indefinite leave to remain).

If the person does not hold a British or an Irish passport or UK settlement status, they are most likely subject to immigration control and will need to bring themselves within one of the many immigration categories on offer. The most relevant categories for business purposes are Business Visitor and Sponsored Worker.

5.1 Business Visitors

A visitor is a person coming to the UK for a temporary purpose, for example as a tourist, to visit friends or family or to carry out approved business activities. Except for some very narrow concessions, visitors cannot work or study in the UK. Non-visa nationals currently do not need to obtain any prior permission to come to the UK. All visa nationals must obtain a visit visa before they arrive in the UK. Visa nationals for the UK are listed here:

<https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-visitor-visa-national-list>.

Prohibited activities under the business visitor category:

- Taking employment
- Doing work for a UK organization or business paid or unpaid
- Establishing / running a business as a self-employed person
- Doing a work placement or internship
- Direct selling to the public
- Providing goods & services

The applicant must not receive payment from a UK source for any activities undertaken in the UK, except for limited situations such as reasonable expenses for travel and subsistence.

Permitted activities should be assessed on a case-by-case basis. In general a business visitor may:

- Attend meetings, conferences, seminars, interviews
- Give a one-off or short series of talks and speeches provided these are not organized as commercial events and will not make a profit for the organizer
- Negotiate and sign deals and contracts
- Attend trade fairs - for promotional purposes only without any direct selling
- Carry out site visits and inspections
- Gather information for their employment overseas
- Be briefed on the requirements of a UK based customer, provided any work for the customer is carried out outside of the UK
- Undertake activities relating to their employment overseas remotely from within the UK, providing this is not the primary purpose of their visit

Full list of the permitted activities a visitor can undertake in the UK can be found here:

<https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-visitor-permitted-activities>.

An employer of a business visitor who is working in breach of the prevention of illegal working laws can be liable as follows:

- A civil penalty of up to GBP60,000 per non-compliant visitor;
- Imprisonment for up to 5 years and/or an unlimited fine if employing a visitor to work;
- Potentially detrimental consequences for the employer's UK sponsor license if they have one, or potential issues if the employer wants to apply for a sponsor license in the future;
- Severe reputational damage as the Home Office releases the names of companies found guilty of breaching the prevention of illegal working laws.
- Entry ban may be imposed on the non-compliant visitor, which may also affect their future travels outside the UK.

5.2 UK Work Visas

If someone wants to work in the UK, and they do not hold a British or an Irish passport or UK immigration status that allows them to work and reside freely in the UK (for example settlement status, a spouse visa, etc.), they will need to be sponsored for a work visa.

UK employers intending to sponsor an employee or prospective employee's visa will require a valid sponsor licence. Maintaining a UK sponsor licence requires the employer to fulfil several sponsor duties including conducting right to work checks on employees.

More information is available on the GOV.UK website. Key links below:

- Sponsorship guidance for employers: <https://www.gov.uk/government/collections/sponsorship-information-for-employers-and-educators>
- Sponsor duties: <https://www.gov.uk/uk-visa-sponsorship-employers/your-responsibilities>
- Right to Work check: <https://www.gov.uk/check-job-applicant-right-to-work>

There are two work visa options as follows:

5.3 Skilled Worker

NOTE:

- This visa will offer the opportunity to remain in the UK indefinitely (settlement status) after 5 continuous years' presence in the UK
- The applicant must pass an English Language Test unless they have a degree taught in English or are a national of a majority English-speaking country recognised by the Home Office..

Requirements:

- Applicants must hold a valid job offer from a UK employer
- The job must meet or exceed defined levels for skill(RQF3 or above), salary and English language requirement
- Additional points may be awarded based on specific criteria, such as whether the job is in a shortage occupation, or the applicant has a relevant PhD qualification

Entitlements:

- This visa grants rights to work and live in the UK for up to 5 years per application
- There is no limit to the number of renewals to this visa
- It is possible to apply for settlement after 5 continuous years under this visa
- The visa is tied to the job and employer, meaning a change in employer will require a new application. Changes to job role for the same employer may require a new application

Further information and requirements:

- <https://www.gov.uk/skilled-worker-visa>

5.4 Senior or Specialist Worker (formerly Intra-Company Transfer)

NOTE:

- This visa does not create a pathway to remaining in the UK indefinitely
- There is no English language requirement for this visa
-

Requirements:

- Applicants must have been employed by an overseas entity (which is connected to the UK entity on the sponsor license) for at least 12 months, unless they are high earners
- The job must meet or exceed defined levels for skill (RQF6 or above) and salary
- Additional points may be awarded based on specific criteria, such as whether the job is in a shortage occupation, or the applicant has a relevant PhD qualification

Entitlements:

- This visa grants rights to work and live in the UK for up to 5 years in any 6 year period in total (or 9 years in any 10 year period in total).i
- It is not possible to apply for settlement under this visa
- The visa is tied to the job and employer, meaning a change to either will require the visa to be updated

Further information and requirements:

- <https://www.gov.uk/senior-specialist-worker-visa>

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Other issues

6 Other issues

6.1 Double taxation treaties

In addition to the UK's domestic legislation that provides relief from international double taxation, the UK has entered into double taxation treaties with more than 100 countries/jurisdictions to prevent double taxation and allow cooperation between the UK and overseas tax authorities in enforcing their respective tax laws.

6.2 Transfer pricing

The UK has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of an entity in another jurisdiction. In other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

6.3 Local data privacy requirements

The UK has data privacy laws. Organizations have a legal duty to keep data private and secure.

6.4 Exchange control

The UK does not restrict the flow of sterling or foreign currency into or out of the country/jurisdiction. Certain reporting obligations, however, are imposed to control tax evasion and money laundering. Organizations covered by the legislation have a number of obligations, including the requirement to establish the identity of individuals. A bank account cannot be opened in the UK without proof of identity.

6.5 Non-deductible costs for assignees

Non-deductible costs for assignees include mortgage interest, alimony, tax return preparation fees, and relocation expenses (unless they are 'qualifying', in which case they are exempt up to GBP8,000).

6.6 Employment law

UK Employment Tribunals are increasingly willing to accept that individuals may claim UK statutory employment rights (such as the right not to be unfairly dismissed) where a sufficient connection with the UK can be shown. This could potentially apply to employees who are not UK nationals, or who do not work for a UK registered employer or who do not actually work in the UK. In addition, certain mandatory rules apply where a worker is posted from another EU country/jurisdiction to the UK, meaning that the worker will be protected by minimum wage, working time and anti-discrimination legislation.

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(Contributions) Regulations 2001; and Inheritance Tax Act 1984 (all as amended by subsequent legislation); Her Majesty's Revenue & Customs ("HMRC") booklets as follows: "Guidance Note: Statutory Residence Test (SRT), RDR3" published December 2013; "Guidance Note: Overseas Workday Relief (OWR), RDR4" published May 2013; [immigration rules](#) on the UKVI website at [, and the UK Government's "Technical note: Change to the taxation of non-UK domiciled individuals" published March 2024.](#)

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