

US and them



International tax work doesn't have to be restricted to the corporate tax specialist. Ex-pats working in the UK will also need advice.

T2 I suppose that it would not be wrong to say that the USA and UK 'have history'. In fact, if it hadn't been for a little 'local misunderstanding' about our favourite subject, tax, we might be living in a world where the US was part of the Commonwealth and, who knows, Prince Charles might now be governor-general of Her Majesty's Dominion of America rather than making cookies to sell in Waitrose. But instead, the novel idea that there should be 'no taxation without representation' seemed to prove popular. Then, not only did the colonists not want to pay tax, they didn't want to pay duty either; so some tea got thrown in Boston harbour and the next thing you know, we're at each others throats fighting the American War of Independence (which would probably be now known as the American Mutiny if, as in India, we had won). Forgive me if I have missed out a few fundamental facts, but it's been some time since I took that 'O' level history exam.

TAXING US

And tax continues to play an important role in the relationship between 'US and them'. There are no accurate figures but the US embassy estimates that at any one time there might be up to 250,000 US citizens living or working in the UK.

But you don't have to go abroad to work in an international tax arena. Furthermore, while it seems that the main requirements for someone seeking to further their tax career abroad is knowledge and experience in a corporate tax field, dealing with 'ex-pats' in the UK provides fairly accessible route into the international arena for the personal tax specialist, combining their UK tax knowledge with that of overseas jurisdictions. An area that is likely to become even more important given the recent changes in the rules relating to residency, domicile and the remittance basis.

Our International Supplement with this issue, *International Prospects – The Global Taxation Climate*, extols the benefits of working abroad at some point during your career. David Treitel has ‘been there, done that’. Perhaps in US jargon we could say that he’s ‘talked the talk and walked the walk’.

David started his career with the Inland Revenue as it then was. After three years he decided that a lifetime in the Civil Service was not for him and left to work for a small accountancy practice. Then, via stints at firms of increasing size, he found himself at Ernst & Young.

In 1992, the UK was in recession and, having gained his Institute of Taxation qualification, David felt that he could strengthen his career with a move abroad. As he was already dealing with the tax affairs of US ex-pats in the UK, he managed to persuade his erstwhile employers to send him on secondment to Chicago which, with the American Mid-West in general, seemed to escape the worst of the downturn.

As David explained, ‘the opportunity to travel to the USA and be paid for it seemed too good an opportunity to pass up’. That experience confirmed David’s view that ‘having an international speciality can help the longevity of your tax career’ and he has since risen to his present position as tax director of US tax specialists – U.S. Tax & Financial Services Ltd.

Not many firms specialise in dealing with the tax affairs of US citizens in the UK and U.S. Tax & Financial Services Ltd is in a strong position in this market. David explained that ‘we are an independent firm, founded by Darlene Hart 23 years ago; and because of our independent status we do get a lot of work referred to us by firms who do not specialise in this field of tax. The firm tends to deal with

those ‘who are not your typical ex-pat, here for only a year or so. Our clients are more usually here for the long term’.

AN EYE ON YOU

And while the UK’s HMRC tends to only be interested in the tax affairs of its citizens while they are resident or have income in the UK, the US system likes to keep an eye on its citizens wherever they are, maintaining their obligation to file tax returns even if they have ‘gone native’ in another country. This is must be combined with the fact that the obligation to file a return is much wider in the USA than it is here. While approximately nine million UK returns are filed, the figure for the US is about 200 million. The fact that the staff numbers for the Internal Revenue Service are about the same as for HMRC is the subject of another article.

THEY’RE EVERYWHERE

Perhaps another oddity is that Americans can crop up in the strangest of places – but let’s not complain, the international personal tax specialist is always on the lookout for new clients.

For example, it is perhaps well known that only an American citizen can become president of the United States (let’s ignore George Washington for these purposes) and there is regular speculation as to whether the rules might be changed for Arnold Schwarzenegger, ‘the Governor’ of California. But what about here? Could a US citizen be, for example, mayor of London?

Apparently yes, as Boris Johnson (*Ed. is the surname necessary?*) has proved.

Boris was born in New York and lived there for the first four years of his life. Unless he has officially renounced it – and there is a strict procedure to be adhered to (<http://snipurl.com/3xouw>) – he is presumably still a US citizen.

GOOD TIMES?

For anyone interested in specialising in US ex-pats in the UK, now could be a good time. A new tax attaché, Kelli Winegardner took up her post in the US embassy earlier this year. What areas might she be interested in? Well before her own ex-pat posting to the UK, she was in the Office of Penalties and Interest Administration for the IRS back in the United States and I understand that she also dealt with information and exchange agreements.

As we have seen this year with the UK’s offshore disclosure facility and the Liechtenstein ‘affair’, life today is all about information getting it and using it. HMRC are keen on this and have just



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announced a new tax information exchange agreement (‘TIE’) with the Isle of Man. One wonders if the next few years will see information being exchanged at increasing rates between countries and between governmental organisations within countries; after all, this – clamping down on offshore tax evasion – can be a relatively pain free method (well to those already paying tax) of increasing tax take. It is estimated that currently only about one-third of US citizens overseas comply with their obligation to file a US tax return, so there is the potential for a substantial increase in penalties and tax.

And if the authorities decide to take on more work to pursue this line, I would hazard a guess that this might mean that there is more work for those who decide to forge a career in UK/US international personal tax. In fact, you could say that there is likely to be more work for both us and them. ■