

STEPPING STONES

Our Expatriate Tax Team based in Hong Kong is ready to help you plan your future, whatever it entails.

Life is full of change. Whether big or small, planned or spontaneous, each new phase in life arrives with its own financial implications. If you're an American currently living in the Asia, or about to arrive, there are a number of things to consider to ensure you are compliant with your UK and US obligations, and also minimise the financial implications.

We will always do our best to know about life changes of our clients, but you'll inevitably be aware of any upcoming changes far before us so let us know to allow us to help you plan for the future.

The following aims to highlight common issues that Americans living in Asia may face and the financial implications that typically partner them. The following aims to highlight common milestones in our lives and the financial implications that typically partner them.

WHAT'S HAPPENING



Coming to Asia

Each jurisdiction has their own set of legislation (some more complex than others) so it is important to be aware of local tax issues as well as US.

Have you considered these?

- US taxation of your Asian pension plans
- Pre-arrival planning to ensure that you qualify for any exclusions from US tax
- Whether your host country has a tax treaty with the US

Have you considered these?

- Checking tax deductions
- Making an IRA contribution
- Maximising benefits
- Donating to a US charity



Full-time job

You've started earning money. Happy days! As an American, unless your earnings are very low, you will still need to file US tax returns.

Bank account in your country of residence

You now have a bank account in a foreign country to receive your employment income, perhaps generating a bit of interest income too.

Pensions and investments

Contributing to a pension is an excellent way to minimise taxes. However, there can be complications from a US perspective in terms of reporting for example with Hong Kong ORSO plans

Investments wise, to avoid any nasty financial surprises later on down the line it's important you're aware of the US tax implications for investments and vice versa.

Have you considered these?

- Pension planning
- Consider the US tax implications
- Review of your investment plans from a US and UK tax and financial

Have you considered these?

- Reporting the existence of non US accounts on an FBAR
- Declaring any interest income on your US return
- American tax issues

Have you considered these?

- Each calendar year, review your income and gains in the year to determine whether UK tax is due. If due, pay it by 31 December



Year-end planning

Americans will offset their US taxes using their UK taxes. To achieve this often means ensuring that that they pay their UK taxes in the same calendar year income is generated.



Setting up a business

Decided that being managed isn't for you? Becoming self-employed or starting a company brings with it a number of new financial implications. For non-US (e.g. Hong Kong) companies owned by Americans there are also significant US tax considerations.



Have you considered these?

- Self-employment vs. creating a company
- US tax implications
- Making a "check the box" election for US purposes

Becoming a homeowner

Congratulations – you're getting onto the property ladder. Be sure to check the US implications if/when you sell the property, or if you later rent it out.



Marriage/remarriage

Have you considered changing your will or putting plans in place to provide for your children or stepchildren? If an American marries a non-American there are tax implications to be aware of.

Have you considered these?

- Making a new will
- How best to provide for your children and stepchildren
- Understanding the implications of being married to a non-US person

Have you considered these?

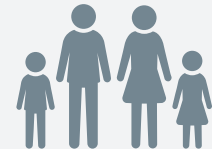
- How to finance
- Letting it out
- Making a will if not already done
- Tax consequences if you sell

Have you considered these?

- Appointing guardians
- School fees payment and planning
- Insurance for you and your partner
- Use of US 529 plans can allow you to save for your children's education

Children

Children can be expensive. Start making financial arrangements early to ensure you're well-equipped to provide for them. Should you be thinking about appointing guardians or insurance?



Divorce

While this is difficult to plan for, when it happens there are a number of financial implications, especially when married to a non-US spouse. Splitting of assets and pension should be thoroughly considered from a US and local perspective.



Have you considered these?

- Asset splitting
- How to finance the settlement
- US tax issues

Wills and Estate Planning

There can be a number of legal and tax implications in the US that can arise for a US person living abroad.



Failing to stay US tax compliant

Some Americans are blissfully unaware of their US tax and reporting obligations while abroad but fortunately, these people they may be able to efficiently get back into the system.

Have you considered these?

- Bringing yourself up to date using the IRS streamlined procedures

Have you considered these?

- Have a will drawn up by a US specialist lawyer
- Choose executors
- US Estate Tax

Have you considered these?

- Expert US advice on trust issues is often necessary to determine the correct reporting

Becoming beneficiary of a trust

The taxation of trusts in the US is complicated and you will want to ensure that you understand the implications as a US settlor and/or US beneficiary.

Have you considered these?

- Pensions and investments review
- Inheritance tax planning

Retirement

Have you reviewed how you will extract monies from your pensions and investments?

