

Navigating US/UK Cross-Border Tax Regulations

Thursday 29 October 2026, Rathbones, London

This case study examines the UK and US tax, immigration, employment, and corporate structuring issues arising when a successful US entrepreneur relocates to the United Kingdom for a period of three to five years, accompanied by several key management personnel. During the assignment, the entrepreneur establishes a UK operating company while retaining ownership of existing US entities, including LLCs and holding companies. Senior executives may hold existing US equity incentives and may receive additional UK-based awards during their stay. The scenario highlights the complexity of managing two tax systems simultaneously and demonstrates the need for coordinated advice across UK and US personal taxation, corporate taxation, international tax regimes, immigration, employment and share incentives.

Zac is a US citizen and founder of a highly successful technology business, headquartered in Delaware. He owns:

- A US parent corporation
- Several US LLCs holding intellectual property and investments
- A portfolio of non-US investment companies
- Significant personal investment assets.

Zac decides to relocate to London for approximately four years to establish a European headquarters and expand operations throughout EMEA.

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He is accompanied by the following who are all US citizens and current participants in the US group's equity incentive arrangements:

- A Chief Operating Office
- A Chief Technology Officer
- A Chief Financial Officer.

To support the expansion, Zac forms a UK company that will employ staff, conduct UK activities and potentially become the group's EMEA headquarters.

The move triggers simultaneous issues in four key areas:

1. Immigration
2. UK and US personal tax
3. Corporate and international tax
4. Employment and equity arrangements.

The interaction of UK and US rules creates numerous opportunities for double taxation, timing mismatches and unexpected reporting obligations.

Before arrival, Zac has to consider immigration planning. Potential routes include:

- Skilled worker visas
- UK expansion worker visas
- Senior or specialist worker visas under the Global Business Mobility Regime
- Innovator Founder route (depending on circumstances)
- Various dependant visas for spouses and children.

Zac and his colleagues will be subject to UK personal taxation on employment income, investment income, capital gains and potentially UK inheritance tax. And as they are all US citizens, they will continue to be subject to US federal taxation on the same income. The major issue, therefore, is the interaction between UK and US worldwide taxation systems and the potential for double taxation.

The UK non-domicile regime has been replaced by the Foreign Income and Gains regime. For qualifying new UK residents such as Zac and his colleagues, foreign income and gains may be exempt from UK tax during the FIG period of four years after arrival. However, once the FIG period ends, taxation may increase significantly, and Zac therefore needs an exit strategy from day one.

One of the most significant issues concerns existing LLC structures. Most LLCs are tax transparent in the US but are often treated differently under UK tax principles. This can create double taxation with timing differences and foreign tax credit inefficiencies.

The creation of the UK company will raise important corporate tax questions. Key issues include the creation of UK permanent establishments for the US entities, transfer pricing issues, intellectual property ownership issues, and double tax treaty concerns.

From a US perspective, US shareholders may be taxed on certain profits of the UK subsidiary under the onerous GILTI regulations despite no distributions. There will also be issues in respect of Zac's personal investment portfolio which may contain non-US collective investments, such as UK or offshore investment funds, and perhaps venture capital funds. Consequences of classification as Passive Foreign Investment Companies (PFICs) for US purposes include punitive US tax charges, complex annual reporting, interest charges on gains and a double taxation risk.

One of the most complicated areas for Zac's COO, CTO and CFO involves employee equity. Thery may already have ISOs, NSOs, RSUs and restricted stock options under US law which may attract UK taxation on vesting or exercise.

Zac and his colleagues, as US citizens, remain exposed to US estate and gift taxes. Their move may also create exposure to UK inheritance tax and trust reporting obligations, so that cross-border succession planning issues should be considered.

To address all of these issues, Zac has engaged a team of advisers spanning personal and corporate taxation, immigration issues, wealth management and legal disciplines across both the UK and the United States. The focus of this meeting on 29 October is on developing a coordinated strategy that aligns the personal immigration issues for Zac and his colleagues with the appropriate cross-border tax position, investment structuring, and personal financial planning objectives.