The Expat Wealth Briefing Series
Perspectives on Cross-Border Financial Planning

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Understanding UK Inheritance Tax for Long-Term Expats

Why Leaving the UK Does Not Always Mean Leaving UK Tax Exposure

Insights for British Expats in the UAE

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Does Not Always Mean Leaving UK Tax Exposure

A Perspective for British Expatriates Living in the UAE

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About This Briefing

The Expat Wealth Briefing Series explores financial planning issues that commonly affect British professionals and families living overseas.

These briefings are not designed to recommend specific financial products or legal structures. Their purpose is to explain the strategic considerations that often arise when assets, pensions and family arrangements span more than one jurisdiction.

Each paper focuses on a particular aspect of cross-border financial planning and is intended to help readers understand the questions that may be worth exploring with appropriately qualified advisers.

Because personal circumstances vary widely, the information contained in this briefing should be regarded as general commentary rather than personal advice.

Briefing Summary

Inheritance tax is one of the least understood areas of the UK tax system among British expatriates.

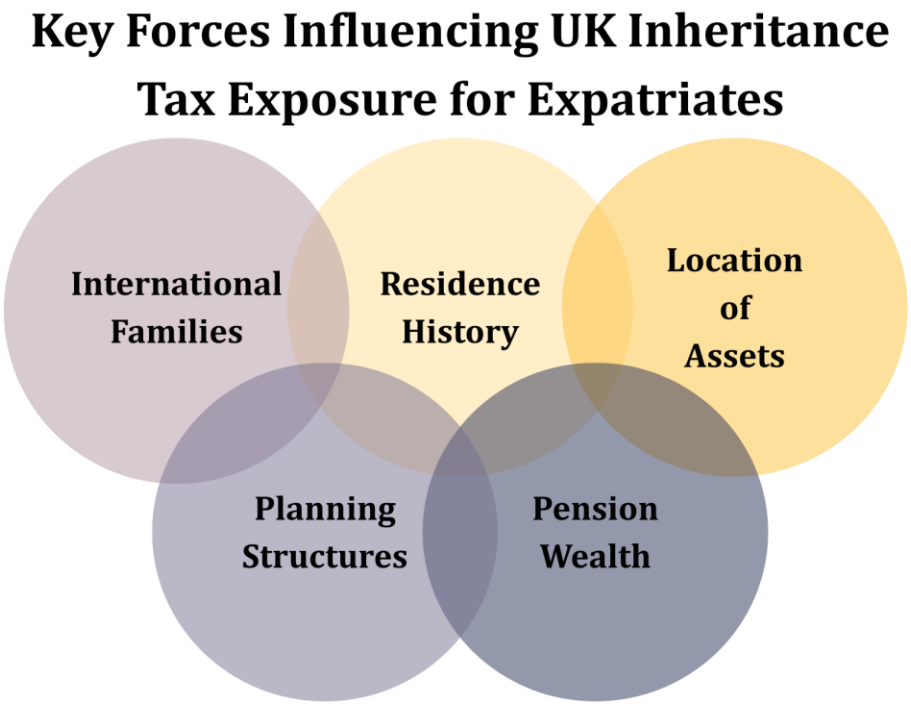
Many individuals assume that once they leave the United Kingdom and establish their lives overseas, inheritance tax gradually becomes irrelevant. In practice the position can be more nuanced.

Inheritance tax is not primarily a tax on income or annual residence. It is a **capital transfer tax**, concerned with how wealth moves between individuals during life or on death.

For internationally mobile families, inheritance tax exposure is often shaped by a combination of factors including residence history, asset location, ownership structures, family circumstances and evolving legislation.

Recent reforms to the UK inheritance tax framework, together with potential future changes affecting pension assets from the 2027/28 tax year, mean that some long-term expatriates may need to revisit assumptions that were previously taken for granted.

This paper reflects on the inheritance tax questions that frequently arise when advising British families living in the UAE whose financial lives span multiple jurisdictions.



Introduction

For many expatriates inheritance tax only becomes a consideration after years spent building wealth across several countries.

Many British expatriates spend decades building their lives overseas. Careers develop, assets accumulate and families grow up within an international environment.

During those years it is natural for attention to focus on income, investment and retirement planning rather than on how wealth will ultimately transfer between generations.

By the time inheritance tax becomes a serious consideration, financial lives have often developed across several jurisdictions. Assets may be located in different countries, spouses may originate from different legal systems and financial arrangements may have evolved gradually over many years.

In that environment the inheritance tax position is rarely defined by a single rule. Instead it emerges from the interaction of several legal and tax frameworks operating at the same time.

Key Insight

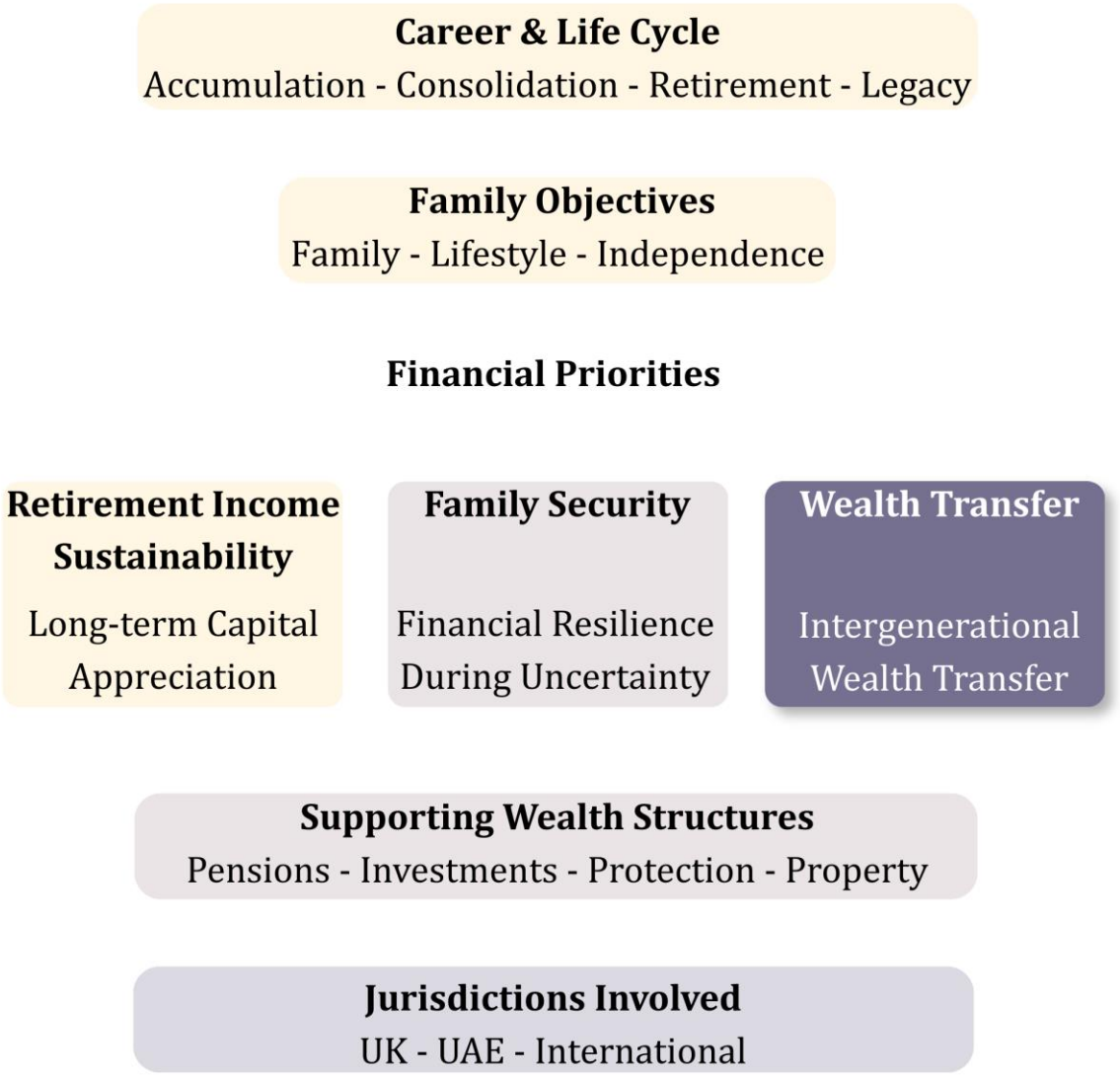
Inheritance tax exposure for expatriates is rarely determined by a single factor but by the interaction of several financial and legal frameworks.

Many expatriates believe that leaving the United Kingdom permanently removes exposure to inheritance tax.

In reality inheritance tax for internationally mobile families is often shaped by a combination of residence history, asset location, ownership structures and legislative change.

Understanding how these elements interact can provide useful context when considering long-term financial planning decisions.

Strategic Wealth Framework for International Families



Financial decisions made during an international career rarely exist in isolation.
Assets may accumulate across several jurisdictions while family priorities evolve over time.

The framework above illustrates how financial objectives, wealth structures and jurisdictional exposure interact during an international career.

This report focuses on the element highlighted within that broader framework.

Common Assumptions About Inheritance Tax

Several widely held assumptions about inheritance tax can prove misleading for families whose financial lives span more than one country.

"Once I leave the UK, inheritance tax no longer applies."

Many expatriates assume that long-term residence overseas automatically removes them from the UK inheritance tax system.

In practice the position can be more complex. The UK inheritance tax regime focuses on **transfers of capital**, and exposure may depend on factors such as residence history and the location of assets.

"Inheritance tax only matters when someone dies."

Inheritance tax is commonly associated with death. However the system operates as a **capital transfer tax**, meaning certain transfers of wealth during lifetime can also fall within its scope.

Gifts to individuals are often treated differently from transfers into certain trust structures, and the timing of transfers may influence the eventual tax outcome.

"Pensions sit permanently outside inheritance tax."

For many years UK pensions have generally been regarded as relatively efficient from an inheritance tax perspective.

However the UK government has indicated that changes expected from the **2027/28 tax year** may bring certain pension assets within the inheritance tax framework.

"Only assets in the UK are subject to UK inheritance tax."

Many expatriates assume inheritance tax applies only to assets located in the United Kingdom.

In practice the position depends on the interaction of several factors including residence history and asset location.

Understanding the Nature of Inheritance Tax

Inheritance tax is structured around transfers of wealth rather than income or annual residence.

The UK inheritance tax system is based on the concept of **transfers of value**.

These transfers may occur:

• on death
• through gifts made during lifetime
• through transfers into certain trust structures.

Lifetime gifts to individuals are often treated as **potentially exempt transfers**, meaning they may fall outside the inheritance tax system if the donor survives for a specified period.

Other transfers, particularly those involving certain trust structures, may be treated as **chargeable lifetime transfers**.

The system also operates within a framework of allowances and thresholds. The most widely recognised of these is the **nil-rate band**, which determines the level of wealth that may transfer before inheritance tax becomes payable.

A Changing Framework

Recent reforms have begun shifting inheritance tax exposure toward a framework based more closely on long-term residence.

Historically, inheritance tax exposure was closely associated with the concept of domicile.

Recent legislative changes have begun shifting the framework toward a structure that places greater emphasis on **long-term residence within the UK tax system**.

For expatriates who have lived abroad for many years, these developments may alter assumptions that previously guided inheritance tax planning.

International Families

Expatriate life frequently involves families whose connections span multiple jurisdictions.

It is not uncommon for spouses to originate from different countries or to have developed their lives in different tax systems before living abroad together.

These circumstances can influence several areas of inheritance tax planning, including transfers between spouses and the interaction of legal frameworks governing succession.

Where Assets Are Located

For expatriates, wealth is often distributed across several jurisdictions rather than held in a single country.

Common examples include:

- property located in the United Kingdom
- investments held through international platforms
- pensions accumulated during UK employment
- overseas property acquired during an international career.

Each jurisdiction may apply its own rules governing succession or taxation.

Movable and Immovable Assets

In cross-border estate planning the legal treatment of property and financial assets may differ.

An important distinction in international law often arises between **immovable assets** and **movable assets**.

Immovable assets generally refer to land and buildings. Movable assets include financial assets such as investments and bank accounts.

Property located in a particular country will typically fall under the succession framework of that jurisdiction regardless of where the owner lives.

How Assets Are Owned

Ownership structures can influence how wealth transfers between generations.

Assets may be owned:

- individually
- jointly with a spouse
- through corporate entities
- through trust structures
- within pension arrangements.

In cross-border situations these structures may interact with multiple legal systems simultaneously.

Pension Wealth

For many expatriates pensions represent a significant proportion of total wealth.

Historically most UK pension arrangements have generally been regarded as sitting outside the inheritance tax system.

However the UK government has announced that changes expected from the **2027/28 tax year** may bring certain pension assets within the inheritance tax framework.

Beneficiary Nominations

Some financial assets allow beneficiaries to be nominated directly with the institution holding the asset.

Examples commonly include:

- pension arrangements
- life assurance policies
- some investment structures.

These nominations can influence how assets are distributed on death and may sit outside the will.

The Role of a Valid Will

A clear will often forms the foundation of effective estate planning.

Inheritance tax planning is often discussed in terms of allowances and structures.

However one of the most important factors determining how wealth ultimately transfers between generations is simply whether a valid will exists.

Without a will, assets are distributed according to the rules of intestacy that apply in the relevant jurisdiction.

For families whose assets span several countries, the absence of clear testamentary instructions can introduce additional complexity.

When More Than One Tax System Applies

Cross-border estates may fall within more than one legal or tax framework.

Assets accumulated during an international career may be located in several jurisdictions.

Some countries tax the estate of the deceased. Others tax the beneficiaries who inherit the assets. Some impose no wealth transfer taxes at all.

Understanding how these systems interact is often an important part of cross-border financial planning.

The Planning Spectrum

Approaches to inheritance tax planning can range from relatively simple arrangements to more complex structures.

At one end are relatively straightforward arrangements such as lifetime gifting or efficient structuring between spouses.

At the other end are more complex structures involving trusts or cross-border ownership arrangements.

For many families the appropriate balance lies somewhere between these two approaches.

Questions Worth Considering

Reflective questions can often help clarify how inheritance tax fits within broader financial planning.

How long have you lived outside the United Kingdom?

Do you retain property or other assets located in the UK?

Where were your pension benefits accumulated?

Are your wills aligned with the jurisdictions where assets are held?

Where spouses originate from different countries, have the relevant legal frameworks been considered for both individuals?

Conclusion

Inheritance tax planning for expatriates is rarely defined by a single rule.

For internationally mobile families, inheritance tax rarely presents itself as a single technical question. Instead it reflects financial decisions made gradually across a lifetime spent living and working in different countries.

When wealth has been built across several jurisdictions, the eventual tax outcome often depends less on a single rule and more on how assets have been structured over time.

"Inheritance tax planning is rarely about a single rule or allowance.
It is about ensuring that wealth built across a lifetime in different countries passes smoothly to the next generation."

About the Author

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Advising British expatriates in the UAE since 2001

Stuart Porter is a Chartered Financial Planner based in Dubai, working with British expatriates on investment strategy, retirement planning and wider cross-border financial planning matters.

He has more than thirty years of experience in financial services and has lived and worked in the United Arab Emirates since 2001.

Stuart is a **Fellow of the Personal Finance Society (FPFS)** and an **Associate of STEP (the Society of Trust and Estate Practitioners)**.

He works with a **small number of client families**, focusing on long-term financial planning relationships rather than transactional advice.

Stuart provides advice through an **international financial planning organisation licensed and regulated in the United Arab Emirates.**

His work frequently involves coordinating financial planning decisions alongside legal and tax advisers where cross-border structures are involved.

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*This paper forms part of **The Expat Wealth Briefing Series**, a series of thought pieces exploring financial planning issues affecting British expatriates living in the UAE.*

Important Information

This paper is provided for general information purposes only and does not constitute financial, legal or tax advice. Individuals should seek appropriate professional advice before making financial decisions.

The Expat Wealth Briefing Series

A collection of short reports exploring the financial challenges faced by British expatriates living in the United Arab Emirates and across international jurisdictions. Each paper examines one aspect of cross-border financial planning.

Other Titles In This Series

- Retirement Planning for British Expats in the UAE
- Understanding UK Inheritance Tax for Long-Term Expats
- Pension Strategy for British Professionals Living Overseas
- Structuring Investments Across Jurisdictions
- Family Protection and Guardianship for Expat Families
- Returning to the UK: Financial Planning Before Repatriation

A Perspective for British Expatriates Living in the UAE

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