

What the Hong Kong Family With Significant Offshore Assets Actually Needs to Know About UK Tax

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Most UK tax advisers have never seen a Mandatory Provident Fund statement.

They have never advised on what happens when a Hong Kong family company continues paying dividends to a shareholder who now lives in London. They have never explained to a client why the rental income from a flat in Kowloon, collected by a letting agent in Mong Kok, now appears on a HMRC self-assessment return. And in many cases, they do not know what they do not know, which is the more dangerous situation.

I have spent my career advising clients whose financial lives span the United Kingdom and Hong Kong. I hold professional qualifications in both jurisdictions. My firm has a staffed office in Hong Kong. When I write about this subject, I am writing from direct experience of what these families face when they arrive in the UK, and what goes wrong when the advice they receive is not specific enough.

This article is written for Hong Kong families who have relocated to the UK, or are considering doing so, and want an honest account of what the UK tax system actually means for them. It is also written for the solicitors, independent financial advisers, and wealth managers who advise these families and need to understand the tax landscape well enough to ask the right questions of the right specialists.

It is not a simple picture. But it is entirely navigable, provided you understand it early.

When does UK tax actually begin?

This is the question every arriving family asks first, and the answer matters more than most people expect.

UK tax residency is determined by the Statutory Residence Test, which has applied since April 2013. For most families who have genuinely relocated, the answer is straightforward: spend 183 days or more in the UK in a tax year and you are UK-resident for that year. Below that threshold, the answer depends on a combination of how many days you spend here and how

many connecting factors you have to the UK, including family, accommodation, and prior UK presence.

For a Hong Kong family that has relocated properly, UK residency typically begins in the tax year of arrival. That year may qualify for split-year treatment, which means only income and gains arising after your UK arrival date are taxable in the UK for that year. Split-year treatment is not automatic. It has to be claimed, and the qualifying conditions are specific.

The consequence of becoming UK-resident is that you are, in principle, subject to UK income tax on your worldwide income and capital gains tax on your worldwide gains. For most arriving families, this is the point at which the complexity becomes real. They understood they would pay UK tax on UK earnings. They may not have fully appreciated that their Hong Kong rental income, their MPF investment returns, and the dividends from the family company in Causeway Bay are also potentially in scope.

The window: non-domicile status and the new regime

For many years, the saving grace for internationally mobile families in the UK was the non-domicile framework. A UK-resident individual who is not UK-domiciled has historically been able to elect the remittance basis of taxation, meaning they pay UK tax only on foreign income and gains that are brought into the UK rather than on everything that arises worldwide. For a family with substantial overseas income and assets, this distinction is worth an enormous amount of money.

The rules have changed significantly. The framework that applies to you depends on when you became UK-resident.

If you became UK-resident after 6 April 2025, the new Foreign Income and Gains exemption applies. For the first four tax years of UK residence, foreign income and gains are entirely outside the scope of UK tax, regardless of whether you bring them to the UK or not. This is cleaner and in some respects more generous than the old remittance basis regime: there is no loss of personal allowance, no requirement to track what is and is not remitted, and no charge payable. After four years, this exemption ends and you move onto the arising basis, meaning worldwide income and gains become taxable as they occur.

If you were already UK-resident before April 2025, you are subject to the transitional rules, which broadly preserve the old remittance basis framework for those who were already here. In the first seven years of UK residence, the remittance basis is available without charge. From year eight onwards, a Remittance Basis Charge of £30,000 or £60,000 per year applies, depending on how long you have been resident. This charge is payable in addition to tax on anything actually remitted. From year fifteen, deemed domicile applies and the remittance basis is no longer available at all.

Individuals who straddle the April 2025 date need specific advice on which framework governs their position. The transition is not self-evident and generalised guidance here is dangerous.

The Mandatory Provident Fund: the question almost nobody asks correctly

By the time most Hong Kong families relocate to the UK, they have accumulated meaningful MPF balances, often across multiple schemes and multiple former employers. The fund has sat quietly in the background for years. On arrival in the UK, it suddenly requires attention.

There are three questions that matter, and they are distinct.

The first is whether ongoing MPF contributions are deductible for UK income tax purposes. Where a Hong Kong employer continues making contributions to an MPF scheme after the employee has become UK-resident, those contributions are accruals in an overseas pension scheme. Whether they give rise to a UK taxable benefit in kind depends on whether the scheme qualifies as a Recognised Overseas Pension Scheme under HMRC's framework. Most MPF schemes are not on HMRC's ROPS list. This is a live exposure for anyone who relocated while still employed by a Hong Kong entity and nobody corrected the position.

The second is whether investment returns within the MPF are taxable in the UK during the period of UK residence. Under the new FIG exemption, foreign income and gains are outside UK tax for the first four years. Under the old remittance basis, growth within an overseas pension fund is generally treated as an accrual rather than a realised gain and does not trigger an immediate UK charge provided it is not remitted. After the exemption period or after deemed domicile, the position requires careful analysis.

The third question is the most important and the one with the greatest planning opportunity: what happens when MPF benefits are drawn down? The UK-Hong Kong double tax treaty allocates taxing rights on pensions to the state of residence, which will ordinarily be the UK. The tax treatment of the withdrawal depends on whether it is characterised as pension income or as a capital payment, and on the timing and structure of the drawdown. A family that plans the timing of MPF withdrawals carefully, ideally several years in advance, can be in a materially better position than one that withdraws reactively when the need arises.

Hong Kong property: the landlord who did not know they were one

For most Hong Kong families, property has been the primary vehicle for wealth accumulation across a generation or more. It is entirely normal for a family that has relocated to the UK to still

own one or more residential properties in Hong Kong, let to local tenants through a managing agent.

The rent received from a Hong Kong property is foreign income. For a UK-resident individual, it is subject to UK income tax on the arising basis, or sheltered under the remittance basis or FIG exemption if it is kept offshore and the relevant conditions are met. It is declared on the foreign property pages of the self-assessment return and taxed at the individual's marginal rate after allowable deductions, which broadly mirror the UK rules for domestic rental income, including the Section 24 restriction on finance cost relief.

Where the property is held in a Hong Kong company rather than personally, the picture changes. The individual is not directly receiving rental income. The company is. The UK tax consequences then depend on whether the individual is receiving dividends from the company, and if so on what basis they are taxed, or whether the company falls within the Controlled Foreign Company rules, which can attribute a company's profits to a UK-resident controlling shareholder. The CFC analysis for Hong Kong companies owned by UK-resident individuals is an area that is frequently overlooked and occasionally very significant.

The capital gains position on eventual sale of a Hong Kong property also requires attention. Gains on foreign property disposals by UK-resident individuals are within the scope of UK CGT. The base cost of the property for CGT purposes depends on which regime governs the individual: broadly, whether rebasing to market value at the date of UK residence is available, or whether the original acquisition cost applies. For properties acquired at historical Hong Kong prices and now worth substantially more, the difference between these two approaches can be very large.

The family company: the risk that builds quietly

Many Hong Kong families of substance hold their investments, properties, or business interests through one or more private companies incorporated in Hong Kong. These structures make complete sense in a Hong Kong context. When the family moves to the UK, those structures do not become automatically compliant with UK rules. They need to be looked at.

The central issue is the corporate tax residence test. A company is UK-resident for corporation tax purposes if it is incorporated in the UK, or if its central management and control, meaning the highest level of strategic decision-making, is exercised from the UK. When a Hong Kong family company's directors have all relocated to the UK and the company's decisions are being made over dinner in London rather than in a boardroom in Hong Kong, there is a genuine risk that HMRC would assert UK corporate tax residency over that company. The consequences are a charge to UK corporation tax on the company's worldwide profits, disclosure obligations, and potentially penalties for historic non-compliance.

The solution is not to pretend the family is still in Hong Kong. It is to either restructure the company's governance so that strategic decisions are genuinely made by independent Hong Kong directors rather than by the UK-resident family members, or to unwind or migrate the structure in a planned and orderly way before the risk crystallises. The important point is that this needs to be addressed directly and early. A company that has been quietly accumulating rental income and investment returns while its controlling family sits in the UK, making all the decisions, is a company that is building a tax exposure that nobody has yet quantified.

Inheritance tax and the fifteen-year countdown

For families approaching deemed domicile, or who have already acquired it, the UK inheritance tax position on worldwide assets is the most significant financial planning issue they face. The rate is 40% on the value of the estate above the available nil-rate bands. For most married couples, those bands amount to a combined maximum of around £1 million where a residential property passes to children. A family with substantial Hong Kong property, investment portfolios, a family company, and MPF accounts faces a potentially very large liability.

The planning tools are well established, but they require time. This is the point that cannot be overstated. A family that arrives in the UK and does nothing until year twelve has wasted a decade.

Normal expenditure from income is the most underused relief in the UK inheritance tax framework. Where a family's income comfortably exceeds their expenditure, the excess can be given away habitually each year with no IHT consequence and no seven-year clock to run. There is no monetary cap on this relief. Families with high income relative to lifestyle should be using it systematically from year one.

Larger transfers of property, shares, or investment portfolios are potentially exempt transfers, meaning that if the donor survives seven years from the date of the gift, the value falls outside the estate entirely. For families who made significant gifts in the early years of UK residence, some of those transfers may already be approaching or clearing the seven-year mark.

Family Investment Companies allow future investment growth to be directed to the next generation without the founders making an outright gift of existing assets. For a family deploying capital into UK investments, a properly structured FIC can be the right vehicle, provided the design is technically sound and the governance is maintained.

And for families facing the imminent application of IHT to their worldwide estates, including their Hong Kong assets, the question of whether those assets should continue in their current form, or should be restructured, gifted, or moved into a trust or company structure, is one of the most consequential decisions they will face. The answer depends on the individual family's circumstances, objectives, and timeline. It is not a question that benefits from a generalised answer.

The planning window is finite

The fifteen-year countdown to deemed domicile is the planning window. Before deemed domicile, the family retains options: offshore income can be sheltered, assets can be restructured outside the UK IHT net, and the accumulation of growth in structures that sit outside the estate is still achievable. After deemed domicile, those options do not disappear, but they become more constrained and considerably more expensive to implement.

We see families who arrive in the UK, engage a general accountant to handle their self-assessment returns, and assume that the bigger picture is being looked after. In many cases it is not. The general practitioner files accurate returns. They do not necessarily flag that the family is approaching a planning threshold, that the Hong Kong company structure carries a UK corporate residence risk, or that a lifetime gifting programme should have begun three years ago.

Loxley Advisory was established to provide the advisory layer that those families need. We are a specialist practice. We do not handle routine compliance. We advise on structure, strategy, and the decisions that determine what a family's financial position looks like in ten or twenty years, not just what the tax return says this April.

A note on professional advisers

If you are a solicitor, independent financial adviser, or wealth manager whose client base includes Hong Kong families in the UK, we would welcome a conversation about how Loxley Advisory can provide specialist tax counsel alongside your advice. We are experienced in working within multi-disciplinary professional teams and in providing written opinions that integrate with legal and investment planning.

The families in this situation need genuinely integrated advice. They are not well served by a UK tax adviser who refers the Hong Kong questions to a correspondent overseas and hopes the two pieces of advice are consistent.

To speak with Loxley Advisory

Initial consultations can be arranged at info@loxleyadvisory.co.uk We are based in London and communicate in English and Traditional Chinese.

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