Orange Genie Group
Supporting Professional Contractors

183

WHAT IS THE DAY RULE?

There are a vast network of income tax treaties globally. For example, the UK has income tax treaties currently in force with over 100 countries. An income tax treaty typically includes an article, often referred to as the "**183 DAY RULE**", which addresses the taxation of workers working temporarily in a country.

If, as a contractor, you are working abroad, you are expected to pay tax locally from the start of your assignment. If you are 'tax resident' you will be taxed on your worldwide income; if you are tax 'non-resident' you will only be taxed on your locally earned income.

The **183 DAY RULE** defines your tax residency status.

THE 183 DAY RULE AND PERSONAL SERVICE COMPANIES

If a director of a personal service company leaves the UK, to undertake a contract abroad on a temporary basis, the 183 day rule will apply to his personal income tax situation. Personal income will be taxed in the UK, depending on the directors residency status and may attract local taxes in the country where work is undertaken, depending on local tax rules. A permanent move abroad by a director may alter the residency of their UK Limited company and both UK and local corporate tax may be applicable.

THERE IS AN EXCEPTION TO THE 183 DAY RULE WHERE A PERMANENT EMPLOYEE OF A FOREIGN COMPANY (E.G. A UK UMBRELLA COMPANY) IS WORKING ABROAD FOR LESS THAN 183 DAYS

If an employee and employer meet the requirements of this article, the employee will not be subject to local income tax in the Host location. The following conditions must apply:

• The employee is present in the Host location for no more than 183 days in a twelve month period commencing or ending in the taxable year concerned; and

• The compensation is not paid by, or on behalf of, an employer resident in the Host location; and

• The compensation is not borne by a permanent establishment or fixed base which the employer has in the Host location.

CONTACT US

🏠 www.orangegenie.com

✉ info@orangegenie.com

📱 01296 468 185

WE ARE SOCIAL

in LinkedIn

🐦 Twitter

f Facebook