TAX ADVISORY PARTNERSHIP · US PRIVATE CLIENT

Getting your US tax affairs in order

Streamlined filing, catching up safely, and — if you choose — giving up US citizenship. A practical guide for Americans and ‘Accidental Americans’ living in the UK.



WHO THIS GUIDE IS FOR

You are not alone — and you have options

- You hold US citizenship — by birth in the US, or through an American parent — and now live in the UK.
- You are an ‘Accidental American’: technically a US citizen, but with little or no real connection to the country.
- You have fallen behind with US tax returns, or only recently learned that Americans abroad must file at all.
- You are anxious about penalties, unsure what you owe, and wondering whether US citizenship is still worth keeping.



This guide explains, in plain English, how to get compliant safely, what it costs, and how to give up US citizenship cleanly if that is the right choice for you.

WHAT'S INSIDE

Your journey, in four parts



1

Understand the rules

Why the US taxes you in the UK, and exactly what you must report each year.



2

Know the risks

The penalties and IRS issues at stake — and why they are smaller than the fear.



3

Come into compliance

The streamlined programme and other routes that let you catch up, penalty-free.



4

Exit, if you choose

Renouncing US citizenship, the exit tax, and life afterwards.

Read it end to end, or jump to the part that matters most to you today.

PART ONE

The one rule that changes everything



Why an American in Britain still has a date with the IRS every single every single year.

CITIZENSHIP-BASED TAXATION

The US taxes people, not just residents

- The United States is one of only two countries in the world — with Eritrea — that — that taxes on the basis of citizenship rather than residence.
- If you are a US citizen or green-card holder, you must file a US federal tax return reporting your worldwide income every year, wherever you live and however long you have been away.
- Living in the UK and paying UK tax does not switch this off. The two systems run side by side.
- The good news: reliefs such as the Foreign Earned Income Exclusion, the Foreign Tax Credit and the US/UK treaty usually mean little or no US tax is actually due — but the returns must still be filed.

2025 Foreign Earned Income Exclusion

$130,000

of earned income can be excluded per person (rising to $132,900 for 2026). Married couples working abroad can exclude up to $260,000 between them.

WHO COUNTS

Are you a ‘US person’?



US citizens

Born in the United States, or born abroad to at least one US-citizen parent — even if you left as an infant and never returned.



Green-card holders

Lawful permanent residents remain US taxpayers until the card is formally surrendered — even after years back in the UK.



‘Accidental Americans’

US citizens by birth or parentage with little real connection to the US. Many never knew they were American and have no Social Security number.

A second nationality does not remove any of this. If you are a US person, the filing, FBAR and FATCA rules all apply to you.

YOUR ANNUAL OBLIGATIONS

Three things Uncle Sam expects each year

The tax return

Form 1040

Report your worldwide income. Filing thresholds are low — self-employment income of just $400 can require a return.

The FBAR

FinCEN Form 114

Report your foreign bank and financial accounts if, together, they topped $10,000 at any point in the year.

FATCA report

Form 8938

Report ‘specified foreign financial assets’ with your 1040 once their value exceeds the thresholds for those abroad.

Deadlines for Americans abroad: the 1040 is automatically extended to 15 June (and to 15 October on request); the FBAR is due 15 April and automatically extended to 15 October.

THE FBAR

Reporting your UK accounts to FinCEN

- The FBAR (Foreign Bank Account Report) is FinCEN Form 114, filed electronically — not with the IRS, but through the Treasury's BSA e-filing system.
- It is required if the combined high value of all your non-US accounts exceeded $10,000 at any single moment in the year — even for one day.
- It captures far more than a current account: savings, cash ISAs, investment accounts, certain pensions, joint accounts, and accounts you merely have signature authority over.
- It is an information report — there is usually no tax attached. But, as we will see, the penalties for not filing are severe.

$10,000

The combined-balance trigger

Once your accounts add up to more than this at any point, every account must be reported — not just the one that tipped you over.

FATCA & FORM 8938

Why your UK bank keeps asking questions

- Form 8938 (Statement of Specified Foreign Financial Assets) is filed with your 1040 once your foreign assets exceed the thresholds — which are higher for those living abroad.
- FATCA also compels foreign banks — including UK banks and building societies — to identify and report US account-holders directly to the IRS.
- That is why your provider may ask for your US status, a Social Security number or a Form W-9 — and occasionally why some firms decline US-connected customers.
- The practical message: doing nothing is not the same as staying hidden. Your accounts may already be visible to the IRS.

Form 8938 thresholds (living abroad)

Single / married filing separately
$200,000 at year end, or $300,000 at any time

Married filing jointly
$400,000 at year end, or $600,000 at any time

THE UK COMPLICATION

Why the UK is especially tricky

PFICs

Most UK funds, unit trusts, OEICs and investment trusts are ‘Passive Foreign Investment Companies’ — punitively taxed, with complex Form 8621 reporting.

ISAs

Not tax-free for US purposes. The US taxes the income and gains, and a stocks-and-shares ISA often holds PFICs inside it.

Pensions

UK pension treatment under the treaty is nuanced; SIPPs in particular can raise PFIC and reporting questions.

The 3.8% NIIT

The Net Investment Income Tax cannot be offset by UK tax paid — so it can create genuine double taxation.

Selling your home

The US exempts only $250,000 of gain ($500,000 for couples), and foreign-currency mortgage movements can create phantom gains.

The theme

Ordinary UK financial products can carry outsized US tax and reporting consequences. Structure matters.

PART TWO

How much trouble am I really in?

The honest answer is usually: far less than you fear — if you act before the IRS acts first.



TAKE A BREATH

The fear is usually worse than the reality

Most owe little or nothing

After the exclusions, credits and treaty, the great majority of Americans in the UK who come forward owe very little US tax — sometimes none.

There is a purpose-built door

The IRS created specific programmes for people who fell behind without meaning to. They are designed to be used.

Coming forward is protection

Stepping forward voluntarily — before the IRS contacts you — is exactly what unlocks penalty relief.

Waiting is the real risk

FATCA means your accounts may already be visible. The worst position is to be found before you have acted.

PENALTIES AT A GLANCE

The income-tax penalties

5% / mo

Failure to file

Of the unpaid tax each month, capped at 25%.

0.5% / mo

Failure to pay

Of the unpaid tax each month, also capped at 25%.

20%

Accuracy penalty

Of any underpayment from a substantial error.

Daily

Interest

Charged on top of tax and penalties, compounding.

The sting in the tail: if no US tax is due, the failure-to-file and failure-to-pay penalties are often nil. But the information-return penalties — FBAR, Form 8938, Form 3520 — apply whether or not any tax is owed. That is where the real exposure lies, and exactly what the streamlined programme is built to remove.

FBAR PENALTIES IN DEPTH

Where the numbers get frightening

$16,536

Non-willful

Up to this, per violation, for 2025 (inflation-adjusted).

$165,353

Willful

Or 50% of the account balance if greater — per year.

$500k / 10 yrs

Criminal

Fines and prison for the most egregious willful cases.

Bittner v. United States (2023): the Supreme Court held that the non-willful penalty applies per report (per year), not per account — a meaningful limit. Willful penalties, however, remain per account. FBAR penalties can dwarf the tax at stake, which is precisely why the streamlined route — with no FBAR penalties for those abroad — matters so much.

THE ‘SILENT’ PENALTIES

Information-return penalties that catch people out

Form 8938 (FATCA)	$10,000, rising to $50,000 for continued failure after notice.
Form 3520 / 3520-A	Foreign trusts and large gifts: up to 35% of the amount — historically auto-assessed.
Form 5471	Interests in foreign companies: $10,000 per form, per year.

A welcome shift: from late 2024 the IRS stopped automatically assessing penalties on late Forms 3520 for foreign gifts, reviewing reasonable cause first. These penalties apply even when no tax is due — the most common nasty surprise for expats.

THE LINE THAT MATTERS MOST

Willful vs non-willful



Non-willful

- Negligence, inadvertence, a mistake, or a good-faith misunderstanding of the law.
- Where most expats sit — people who simply did not know they had to file.
- This is the gateway to the streamlined programme.



Willful

- A voluntary, intentional violation of a known legal duty — including ‘willful blindness’.
- Carries the harshest penalties and, in rare cases, criminal exposure.
- Not eligible for the streamlined programme.

Why it decides everything: the distinction determines your eligibility for streamlined relief, the penalty regime and any criminal risk. You certify non-willfulness under penalty of perjury on Form 14653 — so getting this right, with professional help, is essential.

PART THREE

A clear route back

The IRS built the streamlined programme for exactly your situation. Here is how it works.



YOUR ROUTES BACK

The IRS compliance options

Programme	Best for	Penalty
Streamlined Foreign Offshore	US persons abroad, non-willful, behind on returns/FBARs	None (0%)
Streamlined Domestic Offshore	Non-willful taxpayers living in the US	5% of offshore assets
Delinquent FBAR procedures	Income reported and tax paid — only FBARs missed	None if criteria met
Delinquent info-return procedures	Missed 8938 / 5471 / 3520 with reasonable cause	Reasonable-cause based
Relief for Certain Former Citizens	Accidental Americans renouncing; low tax & net worth	None
Criminal Voluntary Disclosure	Willful conduct needing protection from prosecution	Negotiated settlement

For most readers of this guide, the Streamlined Foreign Offshore Procedures are the destination — the next slides explain why.

THE FLAGSHIP ROUTE

Streamlined Foreign Offshore Procedures

- Introduced in 2012 and expanded in 2014, the Streamlined Filing Compliance Compliance Procedures are for taxpayers whose failure to file was non-willful. willful.
- There are two tracks: Foreign (for those living abroad — our readers) and Domestic (for US residents).
- The Foreign track is remarkably generous: file a limited catch-up, certify non-willfulness, and the IRS waives the failure-to-file, failure-to-pay, accuracy, information-return and FBAR penalties.
- It is the single most effective route for compliant-minded Americans in the UK to get square with the IRS.

The streamlined promise

File 3 + 6

Three years of returns and six years of FBARs — certify you were non-willful — and the penalties fall away.

Best used before the IRS contacts you.

STREAMLINED — ELIGIBILITY

Do you qualify?



The non-residency test

In at least one of the last three years, you had no US home and were physically outside the US for 330+ full days. Most long-term UK residents meet this easily.



Non-willful conduct

Your failure resulted from negligence, inadvertence, a mistake, or a good-faith misunderstanding of the law.



A valid tax ID

You have a Social Security number (or ITIN where relevant). Accidental Americans without one may need to apply first.



Not under examination

The IRS has not already opened an examination or investigation into your returns.

STREAMLINED — WHAT YOU FILE

The submission, step by step

3

Years of tax returns

The last three years for which the deadline has passed — delinquent or amended Forms 1040.

6

Years of FBARs

FinCEN Form 114 for the last six years, e-filed through the BSA system.

14653

The certification

Form 14653 — your statement that the conduct was non-willful and the filings are complete. The heart of the package.

£

Tax due, plus interest

Pay any tax owed with interest — often little or nothing after the exclusion and credits.

Returns are marked 'Streamlined Foreign Offshore' in red and filed on paper to the designated IRS address.

STREAMLINED — THE HEADLINE

The penalty position

0%

penalties under the Foreign track

No failure-to-file, failure-to-pay, accuracy, information-return or FBAR penalties. You pay only the actual tax due, if any, plus interest.

Contrast: the Domestic track

- US residents pay a 5% miscellaneous offshore penalty on the the highest year-end value of their foreign financial assets. assets.
- The Foreign track — for those living in the UK — carries no such charge.
- This is why qualifying as a non-willful expat, and acting before the IRS makes contact, is so valuable.

Act while you still qualify. Eligibility is a door that voluntary action keeps open.

OTHER ROUTES — AND ONE TO AVOID

When streamlined isn’t the fit

Lighter-touch procedures

- Delinquent FBAR procedures — if you reported all income and paid all tax but simply missed FBARs, e-file them late with a reason. No penalty if you weren’t already contacted.
- Delinquent information-return procedures — for missed 8938 / 5471 / 3520 where you have reasonable cause.

Why not just file quietly?

- A ‘quiet disclosure’ — filing back returns without a programme — forfeits penalty protection and can look willful.
- ‘Going forward only’ — starting to file but ignoring the past — does the same and leaves the exposure live.
- The programmes exist to protect you. Use them.

FOR ACCIDENTAL AMERICANS

Relief Procedures for Certain Former Citizens

- A special IRS procedure for accidental Americans and others who have renounced — or will renounce — US citizenship after 18 March 2010.
- You file six years of returns plus the expatriation year, with no tax, penalties or interest due — and no Social Security number required.
- It also removes ‘covered expatriate’ status, side-stepping the exit tax entirely.
- A genuinely clean, low-cost exit for those who qualify.

You must meet all of:

Non-willful failure to file

Net worth below $2 million

Total US tax of $25,000 or less over six years

No prior history of filing as a US citizen

GETTING COMPLIANT

The process, end to end



Assess

Confirm US-person status, gather income and account data, test streamlined eligibility.



Prepare

Build the three years of returns and six years of FBARs; quantify any tax.



Certify

Draft the Form 14653 non-willful statement — the pivotal document.



Submit

File the package to the IRS and e-file the FBARs.



Stay current

File annually from now on — and decide whether to renounce.

PART FOUR

A considered goodbye

For some, the freedom is worth it. Here is how renunciation works — and what it costs.



WEIGHING IT UP

Should you renounce?



Why people do

- The annual cost and stress of dual filing outweighs the benefit — especially if you will not return.
- Freedom from PFIC rules and banking friction: invest and save like any other UK resident.
- Simpler estate planning and financial affairs.
- Peace of mind and a clean line under it all.



What to weigh against it

- It is irreversible — regaining US citizenship is extremely difficult.
- You lose the right to live and work freely in the US, and to pass citizenship to children.
- You will need a visa or ESTA to visit; no automatic right of entry.
- A potential exit tax if you are a ‘covered expatriate’ — and you must be tax-compliant first.

HOW IT IS DONE

Renunciation, and the London process

Renunciation

Formally giving up citizenship by taking an oath before a US consular officer under INA §349(a)(5). The route for most people.

Relinquishment

Claiming an earlier ‘expatriating act’ (e.g. naturalising elsewhere with intent to give up US citizenship) already ended it. Can backdate the loss, but fact-specific.

When does your citizenship actually end?

Your citizenship ends on the day you take the Oath of Renunciation — but the Certificate of Loss of Nationality (CLN) that proves it is issued only after a State Department review that can take several months, then backdated to your oath date.

You can withdraw your request up until the CLN is certified; once it is issued, renunciation is effectively permanent and can not be reversed.

The renunciation process, step by step



1

Secure a second citizenship

US law will not let you become stateless — you must already hold another nationality before you can renounce.



2

Prepare your paperwork

Complete State Department Forms DS-4079, DS-4080 and DS-4081, and gather your US and foreign passports.



3

Attend the embassy

In person at the US Embassy in London: an interview to confirm intent, the Oath of Renunciation, and the $450 fee.



4

Await your CLN

State Department review can take several months; you then receive your Certificate of Loss of Nationality, dated to your oath day.



5

File your final return

A dual-status return for the year, with Form 8854 certifying five years of compliance — the true end of your US tax life.

The second-passport requirement and the final Form 8854 are where renunciations most often go wrong — plan both early.

Renouncing ends citizenship — not your tax history

- Taking the oath at the embassy ends your citizenship. It does not, by itself, close your account with the IRS.
- To exit cleanly you must certify five years of full US tax compliance on Form 8854, the Initial and Annual Expatriation Statement.
- You also file a final ‘dual-status’ return for the year you expatriate.
- Fail to certify those five years and you are automatically treated as a ‘covered expatriate’ — triggering the exit tax regardless of your wealth.

So: get streamlined-compliant first, then renounce.



Form 8854

Certifies five years of compliance. Without it, covered-expatriate status is automatic.

Are you a ‘covered expatriate’?

1	**Net worth test**	Your worldwide net worth is $2 million or more.
2	**Tax-liability test**	Your average annual net US income tax over the five prior years exceeds $206,000 (2025).
3	**Certification test**	You fail to certify five years of US tax compliance on Form 8854.



Meet none of the three and you are not a covered expatriate — no exit tax. Meet any one and the rules apply. Certain dual-citizens-from-birth can be exempt from the first two tests if they certify compliance.

IF THE EXIT TAX APPLIES

How the exit tax works

- Mark-to-market: a covered expatriate is treated as having sold all their worldwide assets at fair market value the day before expatriation.
- An exclusion shelters the first slice of gain — $890,000 for 2025 (inflation-adjusted). Only gain above that is taxed.
- Special assets have their own rules: some pensions (‘deferred compensation’) face 30% withholding; IRAs and similar are deemed distributed; non-grantor trusts have a separate regime.
- Section 2801: a 40% transfer tax can later fall on US-person recipients of gifts or bequests from a covered expatriate — a lasting tail that planning can reduce.

2025 gain exclusion

$890,000

of net gain is sheltered before any exit tax is charged. With planning, many who cross the thresholds still pay little or nothing.

Timing and structuring before you expatriate can make a decisive difference — take advice early.

A LIGHTER PATH OUT

Accidental Americans — a cleaner exit

- Many accidental Americans have modest, UK-based assets and never knew they were US persons — a poor fit for the full compliance machinery.
- The Relief Procedures for Certain Former Citizens were built for exactly them: six years of returns, no tax, penalties or interest, and no Social Security number needed — where net worth is under $2m and six-year US tax is $25,000 or less.
- For other routes, you may first need to apply for a Social Security number, as renunciation and Form 8854 rely on identifying details.
- With the right sequence, an accidental American can shed US citizenship cleanly and inexpensively — and remove covered-expatriate status along the way.



AFTER YOU RENOUNCE

Life after US citizenship

Keep your CLN safe

Your Certificate of Loss of Nationality is proof of your status — banks and authorities may ask for it.

Visiting the US

You travel as a UK or other national under ESTA or a visa — there is no automatic right of entry.

Social Security & benefits

US benefits such as Social Security may still be paid to non-residents, but eligibility, restrictions and withholding can change — check your position before you renounce.

US estate tax lingers

US shares and US property can still attract US estate tax for non-citizens — with only a $60,000 exemption. Plan accordingly.

It is permanent. Reacquiring US citizenship is extremely difficult — be certain before you take the oath.

MYTHS & MISTAKES

Six costly misunderstandings

The myth	The reality
“I pay UK tax, so I owe the US nothing.”	You may owe little — but you must still file every year.
“I’ll just start filing from now on.”	Going-forward-only forfeits penalty protection and can look willful.
“My ISA is tax-free.”	Not for US purposes — and it may hold PFICs.
“Renouncing wipes out my tax history.”	No — you must be five years compliant and file Form 8854.
“Renouncing means a huge exit tax for everyone.”	Only for covered expatriates; most fall under the thresholds.
“It’s too late — too risky to come forward.”	The opposite — coming forward voluntarily is what protects you.

HOW WE HELP

Tax Advisory Partnership at your side

- US/UK dual-qualified advice under one roof — no finger-pointing between separate advisers.
- Streamlined submissions: eligibility review, preparation of returns and FBARs, and the all-important Form 14653 certification.
- PFIC, pension and investment structuring to keep you compliant and tax-efficient in the UK.
- Renunciation and exit-tax planning: Form 8854, covered-expatriate analysis, and timing.
- Ongoing annual compliance, so you never fall behind again.



GET IN TOUCH

Meet your US tax team

To discuss your US/UK position, speak to your usual TAP contact or one of our US tax specialists.



Scott Wickham

US Tax Partner

+44 (0)20 8037 1081 · 07483 046 056
scott.wickham@taxadvisorypartnership.com



Charlotte Davies

US Tax Director

+44 (0)20 8037 1082 · 07593 518 227
charlotte.davies@taxadvisorypartnership.com



Ian Feaviour

US Tax Director

+44 (0)20 8037 1080 · 07469 237 530
ian.feaviour@taxadvisorypartnership.com

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Let’s get you sorted

Speak to your usual TAP contact — or the US tax team on the previous page — for a confidential, no-obligation conversation.



TAP London
14 Devonshire Square, London EC2M 4YT
+44 (0)20 8037 1100 · info@tap-london.com



TAP Leeds
4100 Park Approach, Thorpe Park, Leeds LS15 8GB
+44 (0)113 426 9301 · info@tap-leeds.com

taxadvisorypartnership.com

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