



# TAX

## Proposed reform to the non-UK domiciled tax system

The 2024 Budget announcements included proposals that will change the taxation system for non-UK domiciled individuals with effect from 6 April 2025. The current remittance basis of taxation will be replaced with a regime based on the number of years of tax residence.

### New Foreign Income and Gains rules

For recent or new arrivals, a new four-year rule will come into force:

- From 6 April 2025, a foreign income and gains regime ("FIG regime") will be available to individuals (regardless of their domicile) for their first four tax years of tax residence after a period of at least 10 years of non-UK residence.
- Those claiming to be taxed under the FIG regime will be fully exempt from UK tax on their FIG, even if these are remitted to the UK.
- Those arriving to the UK before 6 April 2025 may still be able to benefit from the new FIG regime if they are within their first four years of tax residence in 2025/26 (and subject to meeting the 10 years of non-UK residency condition).
- Settlers of non-UK trusts should not be taxable on the trust's foreign income and gains whilst they remain subject to the FIG regime.
- Non-UK trust distributions matched to post-April 2025 FIG are tax exempt for beneficiaries within the FIG regime.

### Inheritance tax

- It is expected that UK assets remain subject to inheritance tax, irrespective of tax residence.
- For non-UK assets, exposure to inheritance tax will depend on the residence of the individual. UK resident individuals will be subject to inheritance tax on their worldwide assets (and will remain in scope for the first 10 years of non-residence).
- Please note the above inheritance tax proposals are subject to consultation.

### Transitional provisions

The Government will put in place transitional arrangements for those benefitting from the current non-UK domiciled regime. As currently proposed:

- Resident non-domiciled individuals will be eligible to claim the FIG regime if they are still within their first four years of UK tax residence.
- For 2025/26 only, resident non-domiciled individuals who are not eligible to claim the FIG exemption will only be subject to UK tax on 50% of their foreign income (not foreign gains), provided the individual is not UK deemed domiciled as at 5 April 2025.
- Personally held foreign assets can be rebased to their 5 April 2019 value (for capital gains tax), provided the individual is not yet deemed domiciled as at 5 April 2025 and has claimed the remittance basis historically. This will be subject to further conditions.
- Under a Temporary Repatriation Facility ("TRF"), any individual who has historically claimed the remittance basis (prior to 6 April 2025) can remit their FIG to the UK between 6 April 2025 and 5 April 2027 and be subject to a flat 12% tax on remittances.

Overleaf is a flowchart setting out the impact of the above changes relating to the FIG regime.

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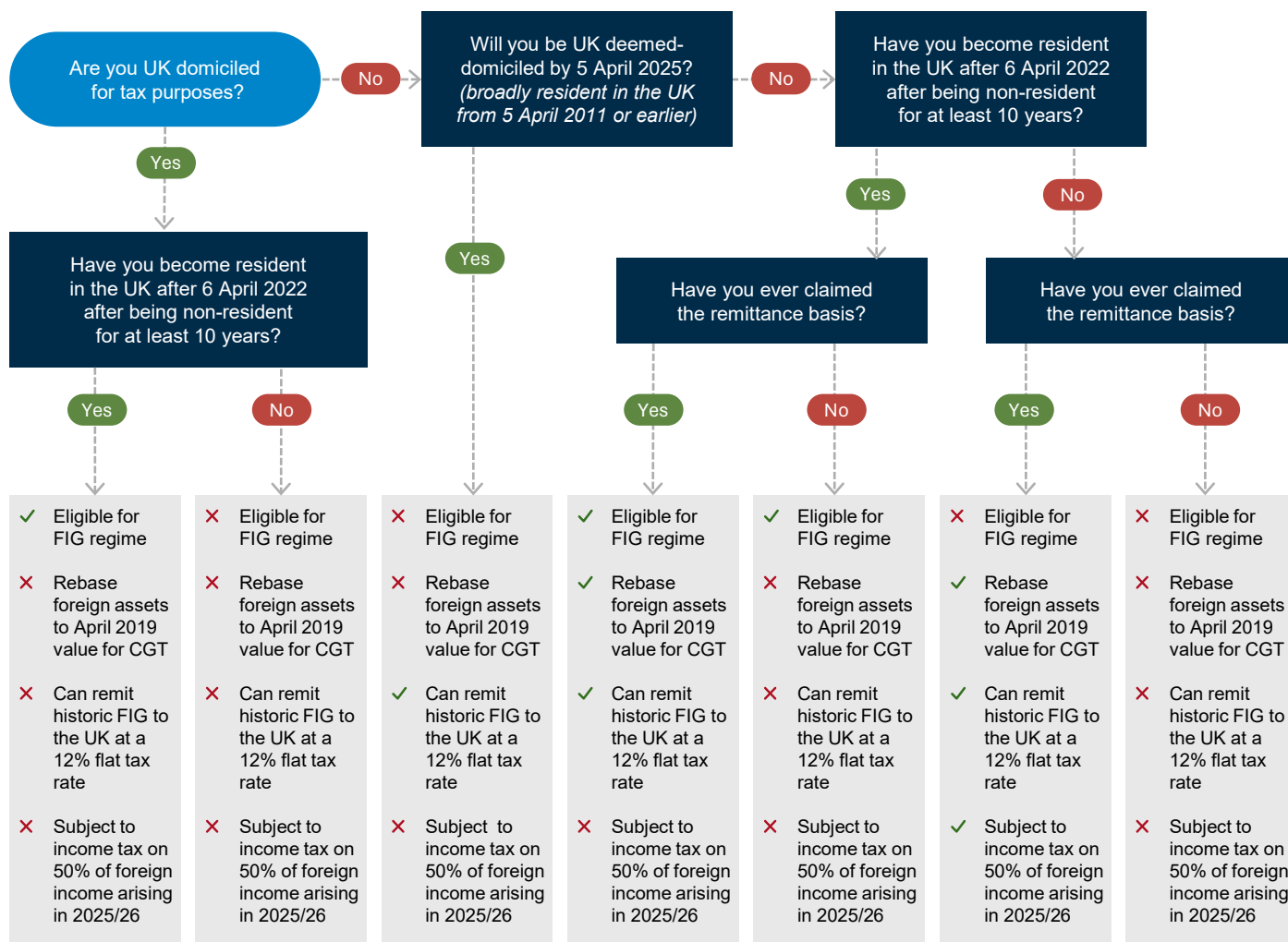
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Please note this analysis is limited to individuals who are UK tax resident as at 6 April 2025 and does not consider the proposed changes to inheritance tax and trusts. This publication is merely intended to be a guide and does not constitute tax advice. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

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