

Non-domiciled UK resident individuals – planning for the changes before April 2025

The current regime of taxation for non-UK domiciled individuals (aka 'non-doms') has been abolished with effect from 6 April 2025. In its place is a taxation regime based solely on residence. Those new 'arrivers' to the UK will attract a favourable regime whereby they can realise foreign income and gains ('FIG') in their first four consecutive years of residence and remit them into the UK without incurring UK tax. The FIG Regime is explained in more detail below.

For those who have been resident here for more than four years, they will be subject to UK tax on an arising basis on their worldwide income and gains from 5 April 2025.

We explain, in overview, the changes affecting those non-UK domiciled individuals, and the planning opportunities available to them which should be considered before 5 April 2025.

Please note the changes are set out in draft in Finance Bill 2025 and are subject to amendment until legislated.

What action should be taken now?

The key considerations for individuals in anticipation of the deadline are:

1. Individuals should review their residency position in anticipation of the new rules to understand their status for the FIG Regime.
2. Non-domiciled individuals should consider whether it is appropriate to make a claim for the remittance basis in 2024-25 to take advantage of a Temporary Repatriation Facility ('TRF') (see overleaf) to remit previously realised FIG that has been retained abroad. Provided the UK resident recipient has claimed the remittance basis previously, this relief potentially allows income and gains to be taxed at 12% (and 15% from 2027/28), rather than at rates of up to 45%.
3. Non-domiciled individuals should consider realising FIG before 5 April 2025 by bringing forward income where possible or disposing of foreign assets to crystallise gains. Consideration should be given as to whether this is economically beneficial if the remittance basis charge is payable.
4. Individuals who have undertaken the cleansing of mixed funds in 2017-2019 should consider whether to remit the FIG contained within the 'unclean' fund, under the TRF to attract the lower rates of tax.
5. Those who have been subject to the Overseas Workday Relief regime in the past should consider whether it is beneficial to remit the untaxed foreign earnings earned prior to 5 April 2025.
6. Non-domiciled beneficiaries of offshore trusts should speak to the trustees to ascertain whether it would be advantageous to receive a capital payment from the trust after 5 April 2025 but before 5 April 2028 to access the TRF on FIG within the offshore trust.
7. New arrivers to the UK who are beneficiaries of offshore trusts should speak to the trustees to ascertain whether it would be advantageous to receive a payment of FIG that would be outside the scope of UK tax under the FIG Regime.

8. If offshore companies are held directly, individuals should consider whether it is appropriate to pay out a dividend pre-5 April 2025 and claim the remittance basis of tax to allow it to be remitted under the TRF after 5 April 2025.
9. Individuals should consider settling excluded property onto offshore trusts prior to becoming a Long Term-Resident to avoid the entry charge to inheritance tax ('IHT'). There are ongoing UK tax implications for the trust that must be understood.
10. Individuals should consider whether remaining in the UK post-6 April 2025 is appropriate where their worldwide estate will then be subject to UK IHT, or whether a departure pre-6 April 2025 is appropriate for a shorter IHT tail.

Capital gains and income tax changes

From 6 April 2025, the remittance basis of taxation for foreign income and gains will be removed and replaced with a new regime which applies to individuals coming to the UK as new arrivals, or those who have been non-UK resident for at least 10 tax years. The Government has referred to this new system as the FIG Regime.

The new FIG Regime means that 'qualifying new residents' will not pay UK tax on their FIG for their first four consecutive tax years of UK residence, subject to making an election. The FIG covered by the election will then remain outside the scope of UK taxation, regardless of whether these funds are remitted to the UK.

The residency status of an individual for the purposes of the FIG Regime will be determined using the Statutory Residence Test ('SRT').

Upon claiming this relief, the personal tax allowance and the capital gains exemption will be withdrawn. To qualify for the relief, it will be necessary to quantify, within the tax return, which FIG the relief applies to. In broad terms, this means reporting worldwide income to HMRC, despite it not being subject to tax.

Importantly, this relief can be claimed without paying a charge (unlike many other European countries that have a flat rate of tax).

After the four-year period has passed, an individual will then be subject to tax on their worldwide income and gains on an arising basis. The timing of coming to the UK will be important as a split year of residence will be treated as one year of residence for this purpose.

Transitional provisions for individuals

The TRF is a relief to encourage individuals to bring back FIG that arose prior to 5 April 2025 into the UK. It offers a much lower rate of tax than would otherwise apply, but

it applies for a limited period of three tax years. It also requires careful planning before 5 April 2025 to ensure the relief can be used to its maximum potential.

The TRF is accessed by designating specific amounts of pre-5 April FIG in the first three tax years following 5 April 2025 and paying the tax in those years. The FIG can then be brought into the UK in later years with no further tax. The TRF will allow non-doms to pay tax at rates of 12% for FIG designated in 2025/26 and 2026/27 and 15% for FIG designated in 2027/28, in the following circumstances:

- A claim for the remittance basis of tax must have been made by the individual before 6 April 2025.
- The remittance must take place after 5 April 2025 of pre-5 April FIG, currently sitting offshore.
- The FIG referred to above may have arisen personally to the individual or could be FIG from an offshore trust that is matched to a capital payment made from a trust prior to 5 April 2025, but which has not yet been subject to UK tax due to being retained abroad and the remittance basis claimed.
- Alternatively, it applies to capital payments made from offshore structures in the 2025-26, 2026-27 and 2027-28 tax years, where the capital payments are matched with FIG of the offshore structure which arose **prior** to 6 April 2025.

In addition, for those non-doms who are not yet deemed domiciled, their foreign assets will automatically rebase to the market value at 5 April 2017. This can be disapplied if a cost basis would offer a better tax position.

Inheritance tax ('IHT')

From 6 April 2025, non-UK assets will be caught within the scope of UK IHT where an individual has been resident in the UK for at least 10 of the last 20 tax years. These individuals will be known as 'long-term residents' and they will be liable for UK IHT on their worldwide assets.

The SRT will therefore be instrumental for non-domiciled UK resident individuals to ascertain how many years an individual has been resident for these purposes.

A long-term resident will remain within scope of UK IHT until they have been non-resident for 10 consecutive tax years in the last 20 tax years (or at least 11 non-consecutive tax years within a 20-year period). This is referred to as the 10-year tail. There is a reduced tail of three tax years for those who have been resident for up to 13 years out of the last 20 years, increasing by one year for each further period of residence.

Transitional rules

If an individual leaves the UK before 5 April 2025, they will be subject to a maximum three-year tail, even if they have been resident for more than 20 consecutive years.

Further advice on the matters affecting trustees, settlors and beneficiaries of offshore trusts is included in another flyer entitled "Offshore trusts – planning for the changes before 5 April 2025".

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