

Abolishing the Non-Domicile Regime from 6 April 2025 – Post Autumn Budget Update

A number of changes were announced in the Autumn Budget 2024 affecting non-domiciled individuals, who are primarily those born overseas who may move to the UK for a period of time, but do not consider the UK to be their permanent home.

Maximise your **potential**



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The headline changes are broadly in line with those announced in the Labour manifesto, which built on the Conservative Party's announcements in the Spring Budget.

A key summary is as follows:

From 6 April 2025 the remittance basis will no longer be available. Instead, a new Foreign Income & Gains (FIG) regime will apply:

- The FIG regime will be available for the first 4 tax years in which an individual becomes UK resident, after a 10-year period of consecutive non-UK residence. Foreign income/gains (subject to some exceptions) will not attract UK taxes in those first 4 years regardless of whether remitted to the UK or not.
- The regime is subject to an election. If elected and foreign income/gains are remitted, the approach is now simpler with no mixed fund or re-tracing requirements. This will negate the need to have complex offshore bank account structuring.
- The regime can be elected into each year, and doing so will result in the loss of the personal allowance and capital gains tax annual exemption for any elected year.
- If in the 4-year period there is a period of non-UK residence, you can still return to the UK and elect into the regime for any qualifying remaining tax years in that 4-year period.
- Formerly deemed domicile individuals will also be able to use the 4-year FIG regime after 10 years of non-UK tax residence, which does create an opportunity for those individuals wishing to move back to the UK, who would ordinarily have suffered UK tax on foreign income/gains from their first day of UK residence.
- The new regime is complex and whilst there is a prescriptive list of what foreign income/gains are covered by the FIG regime, there are specific exclusions which include employment income and income relating to the performance of activities such as sports.
- Specific entries need to be made on a personal tax return to elect into the regime, as it will be on a source by source basis. Furthermore, if the 4-year claim for FIG is made, foreign losses arising in that year cannot be claimed.
- Business Investment Relief (BIR) will still be available for qualifying investments relating to pre-6 April 2025 FIG made on or after 6 April 2025. BIR will continue to be available for qualifying investments made until 6 April 2028 – subject to qualifying conditions.
- The Statutory Residence Test will be used to determine the years of residence, and no changes have been announced to the split year or treaty residence rules.



Transitional arrangements are being introduced to soften the impact of these changes for existing non-domiciled individuals and those who claim the remittance basis:

- Temporary Repatriation Facility (TRF) – Individuals previously taxed on the remittance basis will be able to remit those funds to the UK for a period of three tax years at a reduced tax rate of 12% in the tax years 2025/26 and 2026/27 with the rate rising to 15% in the tax year 2027/28.
- The facility does not apply to income and gains within overseas trust structures or distributions from these but will be available for qualifying UK resident settlors or individuals who receive a benefit from an offshore trust structure during the 3 tax years – subject to criteria having been met.
- There will again be relaxation to the mixed fund ordering rules under the new facility and some relaxation on the timing of bringing in the funds to which the temporary repatriation facility applies.
- From 6 April 2025, if any remittance basis users dispose of non-UK assets, rebasing can be applied using the market value at 5 April 2017, subject to qualifying conditions.
- It was previously expected that those unable to use the new FIG regime would receive a one year concession, however there is to be no relief for those unable to access the FIG regime, other than the temporary repatriation facility.



Globally mobile employees:

- For new arrivals to the UK from 2025/26, Overseas Workday Relief (OWR) will only be available if individuals are eligible for the FIG regime (after 10 years of non-UK residence, for a period of 4 years).
- For those eligible for OWR in 2023/24 or new inbounds in 2024/25 this will continue to be available for the maximum full 3 tax years – even if the FIG regime does not apply.
- The mechanics of the OWR scheme will be simplified so that it is available regardless of whether the sums on which OWR is claimed are kept offshore or not.
- OWR will, however, be subject to an annual limit for each qualifying year: the lower of 30% of the qualifying employment income or £300,000 per tax year.
- National Insurance Contributions may still apply to the UK and overseas workday portion.
- Care will be needed when planning assignments and their duration if they are expected to last beyond the 4-year FIG period.

Inheritance tax (IHT) and Trust implications:

- From 6 April 2025, inheritance tax (IHT), which is currently based on domicile, will also move to a residence based test.
- IHT will be charged on worldwide assets once you have reached 10 years residence across the last 20 years (long term residence 'LTR'), with potentially a 10-year tail for those who leave (i.e. remaining within UK IHT).
- If you have been UK resident for between 10 – 19 years then the 10-year tail will be shortened so that in certain cases the tail could be 3, 5, or 7 years depending on how long you have resided in the UK.
- This also means that non-UK assets held within an offshore trust will also be within the scope of UK inheritance tax if you are considered a long-term resident.
- As expected, from 6 April 2025 offshore trust structures will lose the current protection so that a long-term UK resident settlor of an offshore trust structure will be taxed on the income and gains arising within the structure.
- Income and gains that arise in the offshore structures prior to 6 April 2025 will continue to be taxed under current rules, and only taxed if a UK resident beneficiary receives a distribution or benefit.
- If the settlor benefits from the FIG regime, then the foreign income/gains arising within the offshore trust structure will not be taxable for that period. However, for those who are not eligible for the FIG regime at 5 April 2025, the foreign income/gains arising within the structure will be taxable.



- Whether or not offshore structures remain protected will now depend on the long-term residence status of the settlor. If a long-term resident settlor who is caught by these provisions has a trust which changes from excluded property status to being a relevant property trust, UK tax may apply and should that settlor leave the UK the trust could switch back to having excluded property status, if the conditions are met. The 10 year and exit charge provisions for UK trusts may apply.
- There remains an opportunity for those who have not yet been UK resident for more than 10 of the last 20 years and those who did not become deemed domicile to consider settling non-UK assets into non-settlor interested trusts and trusts from which they cannot benefit.
- Similarly, there is now certainty that for those looking to leave the UK and who will not have been UK resident for more than 10 of the last 20 years, the inheritance tax tail can be limited.
- Also, it appears that structures relating to a settlor who dies before 5 April 2025 remain protected.
- There are changes to the election by a non-domicile spouse to elect to UK inheritance tax, such that the spouse of a long-term UK resident can elect to be treated as a long-term resident. Any election would allow someone to be treated as deemed domiciled until 5 April 2025 and long-term resident thereafter.
- There are many changes to the operation of the settlements legislation as well as the Transfer of Assets Abroad provisions such that income arising in a settlor interested trust or underlying company can be taxed on a UK resident settlor as it arises if the transferor has the power to enjoy the income or the capital sum conditions are met – this was already a complex area and so affected structures will need to be examined.

Whilst these are supposedly simplification measures the impact of the amendments are complex in the short term, with significant impact.

Despite some clarity having been received, it has now become critical to consider how these announcements will impact you, especially in conjunction with the broader domestic tax changes announced.

Please contact your usual [Private Client Services](#) contact, to discuss in more details so that we can help maximise your potential.



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