



**Simmons Gainsford**  
Chartered Accountants and Business Advisors

# Spring Budget 2024: Changes to the non-dom regime

**The Chancellor's Spring Budget on 6 March 2024 announced measures to abolish the current 'non-dom' regime as we know it and replace this with a new "modern, simpler and fairer" residence-based regime from 6 April 2025.**

The concept of domicile, which has long been a contentious and 'grey' area for a number of years will no longer be determinative of the scope of liability to tax from April 2025, although it will continue to be relevant for earlier periods (and for other legal purposes). There will be an impact on non-resident trusts and additional reforms to the Inheritance Tax regime, which are yet to be fully scoped and are subject to consultation.

Although the full detail of the new provisions is not yet available, the key changes proposed are as follows:

## **"FIG (foreign income and gains) regime" for New Arrivers**

- The new FIG regime will apply from 6 April 2025 to 'new arrivers' - individuals who have been non-UK resident for 10 consecutive tax years (regardless of domicile status).
- For the first four tax years of UK residence, there is no tax on FIG arising in this four-year period, even if remitted to the UK. This also applies to distributions/benefits from non-resident trusts.
- UK source income and gains continue to remain taxable, as per the current regime.
- An annual election for the FIG regime must be made for all or any of the eligible four tax years, even if there are periods of absence from the UK within that four year period.
- Those electing into the FIG regime will lose their personal income tax allowance and CGT annual exemption, as per the current regime.

- Residence will be determined by applying the provisions of the Statutory Residence Test (SRT), ignoring Treaty residence and split years of arrival/ departure.

## **Existing UK resident non-doms**

- The last year to claim the remittance basis will be 2024/25.
- Existing residents who are eligible to claim the FIG regime may do so up to the fourth tax year of residence. This should apply to eligible individuals who moved to the UK after 5 April 2022.
- Those not eligible for the FIG regime will be subject to tax on their worldwide income and capital gains from 6 April 2025 on an arising basis.
- Under transitional rules, non-doms who can no longer claim the remittance basis from 6 April 2025 and are not eligible for the FIG regime may reduce their taxable foreign income (not gains) by 50% for one year only in 2025/26.

- Where the remittance basis has been claimed in the past, personal assets may be rebased to their 5 April 2019 value for disposals taking place after 6 April 2025, subject to conditions and provided that UK domicile or deemed domicile status is not acquired by 5 April 2025.
- A 'temporary repatriation facility' will apply for two tax years only, in 2025/26 and 2026/27, allowing remittances of pre-6 April 2025 foreign income and gains to the UK at a reduced tax rate of 12%. This does not apply to foreign income or gains in trust structures. The mixed fund rules will be relaxed for these purposes.
- From 2027/28, remittances of pre-6 April 2025 foreign income and gains will be taxable at the normal rates.
- Business Investment Relief will continue to apply for existing investments and for investments of pre-6 April 2025 foreign income or gains after April 2025.

## Overseas Workday Relief (OWR)

- OWR will be retained and simplified under the new regime.
- Eligible employees returning to the UK in 2025/26 must be eligible for the FIG regime in order to claim OWR.
- The relief will be more generous by allowing income tax relief on the foreign earnings element, whether or not remitted to the UK (although NICs will continue to apply).

## Inheritance Tax (IHT)

- Liability to IHT is to be moved to a residence-based system, subject to consultation. Currently, liability is based on domicile status and the location (situs) of assets.
- Personally held non-UK assets will fall within the scope of IHT from 6 April 2025 where the individual has been resident in the UK for 10 years. There is a proposed 10 year 'tail' for those leaving the UK, which is subject to consultation.
- For trust assets, the new rules for chargeability will be based on whether the settlor meets the residence criteria or is in the 'tail' period when assets are settled or charges arise (e.g. the 10 year and exit charges).
- The treatment of UK assets and UK residential property remains the same.
- Draft legislation is due to be released later this year following a policy consultation.

## Non-resident Trusts

- Non-UK assets settled by non-doms on existing or new non-resident trusts prior to 6 April 2025 will continue to have IHT excluded property status (and fall outside the scope of UK IHT) after 6 April 2025.
- The creation of new trusts and/or additions to existing trusts from 6 April 2025 will be subject to new residence-based rules to determine chargeability. Currently, this is determined by the domicile status of the settlor.
- Further clarity on the impact of the IHT changes is expected as part of the consultation process.
- Trust 'protections' (which were introduced following the last major overhaul of the non-dom regime in April 2017) will be removed for all non-resident trusts for new FIG arising after 6 April 2025. This means that UK resident settlors who are not within the FIG regime, will be taxable on all income and gains attributed to them from the trust structure on an arising basis from the 2025/26 tax year (whether or not they receive any distributions or benefits from the post-6 April 2025 FIG or it is remitted to the UK).
- The motive defence against the Transfer of Assets Abroad and attribution of capital gains provisions will become more pertinent in reducing the scope of liability of settlors/transferors.
- Pre-6 April 2025 FIG in a protected trust will not be taxed if matched with distributions/benefits to individuals under the FIG regime. UK resident non-dom beneficiaries who are not within the FIG regime will be taxable on worldwide distributions/benefits, without the protection of the remittance basis.
- Distributions/benefits to UK resident settlors or beneficiaries within the FIG regime after 6 April 2025 will be free of tax and will not be matched with trust income or gains, subject to a modified onward gifts (anti-avoidance) rule.

## What Next?

While a simplification of the existing non-dom regime is welcome, as always, the devil is in the detail. For existing UK resident non-doms and those with trusts in particular, a comprehensive review of their tax positions to assess the impact of the changes will be essential. Now is a good time for those who do not have trusts to consider whether this might be an option.

For some, moving abroad may become more attractive (particularly to jurisdictions with more favourable non-dom or remittance basis regimes) and care will also be required around the residence rules. Despite the continued uncertainty around the general election and the possibility that some or all of these changes may be removed, replaced or adapted, there is nevertheless a window of opportunity between now and April 2025 to plan ahead and to ensure that measures are in place to avoid any surprises.

## How can we help?

Please contact us if you would like advice or assistance in respect of any matter referred to above, including the following:

- Your historic residence position and eligibility for the new FIG regime from April 2025
- The impact on your tax position of losing the remittance basis, based on your worldwide assets and affairs and options for mitigating UK tax on the arising basis
- Calculating potential capital gains tax exposure on the disposal of any assets, considering rebasing and available reliefs
- Creating or adding to an excluded property trust and ongoing compliance and tax obligations in connection with the settlement
- Winding up or distributing funds or assets from a non-UK trust or other entities
- Assessing the income and capital gains position in a non-UK trust
- Advice on the Transfer of Assets Abroad/attribution of capital gains provisions and available 'defences'
- Moving (or returning) to or leaving the UK, including practical considerations under the SRT
- Scope of liability to IHT and options to mitigate the potential exposure



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