



# THE NON-DOMICILE REFORMS

## ACT BEFORE 6TH APRIL 2025



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From 6 April 2025, the UK Government is set out to introduce fundamental changes to the taxation of non-UK Domiciled individuals and remove preferential tax treatment based on domicile status for Foreign Income and Gains (**FIG**) that arise from 6 April 2025.

The upcoming changes represent a significant shift. If you are affected and have not considered your position yet, then proactive steps should be taken and detailed advice sought in order to navigate the new regime effectively.

## KEY FEATURES OF THE CHANGES

### THE NEW FOREIGN INCOME AND GAINS (“FIG”) REGIME – 4 YEAR EXEMPTION

New FIG regime will be introduced from 6 April 2025. This regime will be available to individuals during their first 4 years of UK Tax Residence after 10 consecutive years of non-UK Residence. After the initial 4 years, all UK residents will be taxable on their ***Worldwide income and gains***.

A UK Tax Resident under the Statutory Residence test from tax year 2021/2022 will not be eligible for the **FIG** regime.

Unlike the remittance basis, the **FIG** regime will be available to UK-Domiciled individuals, provided that they have been (or will be) non-resident for at least 10 years before becoming UK Resident.

The new **FIG** regime offers more ***generous relief*** compared to the remittance basis, which only provides temporary exemption until a remittance occurs as the new regime offers exemption from UK taxation on Foreign Income and Gains.

Foreign Income and Gains received by non-UK domiciled individuals before 6 April 2025, which benefited from the remittance of taxation will continue to be taxed under the previous remittance rules.

### 3 YEAR TEMPORARY REPATRIATION FACILITY (“TRF”)

One of the most attractive features of the reform is to offer individuals who have been taxed on the Remittance Basis the opportunity to bring their funds to the UK for personal and business purposes under the Temporary Repatriation Facility.

Individuals who have previously claimed the Remittance Basis will be able to remit **FIG** that arose prior to 6 April 2025 and pay a reduced tax rate on the remittance for a limited time after the Remittance Basis has ended. The tax rate will be 12% for elections made from 6 April 2025 to 5 April 2027 and 15% for elections made between 6 April 2027 to 5 April 2028.

Once an election has been made, the relevant funds can be brought to the UK without any further tax charges. There is no requirement for the designated funds to be brought to the UK during the 3 years of the TRF.

Therefore, for those individuals who it is relevant, consideration should be given whether funds should be brought into the UK.

### **CAPITAL GAINS TAX REBASING**

A Capital Gains Tax rebasing of non-UK sited assets will be available to those who have historically claimed the Remittance Basis for any tax from 2017/18 onwards but cannot benefit from the four-year **FIG** regime. Assets will be rebased to their market value as of 5 April 2017 subject to a number of conditions.

Rebasing can be elected by individuals who have not been domiciled or deemed domiciled in the UK any time before tax year 2025/2026 and who made a Remittance Basis claim for at least one tax year during the period from 6 April 2017 to 5 April 2025.

These rebasing provisions will not be available for individuals who became UK Domiciled or deemed Domiciled prior to 6 April 2025. Rebasing will also not be available to assets held in trusts or companies.

This leaves a group of non-UK Domiciled taxpayers who became deemed Domiciled at some point between 6 April 2017 and 6 April 2025 who will not benefit from any rebasing regime.

## NEW RESIDENCE-BASED REGIME FOR INHERITANCE TAX (IHT)

The UK will move to a Residence Based system from 6 April 2025 that will see IHT being charged on **Worldwide assets** for individuals who have been UK Resident in ten out of the last twenty tax years. This will affect the scope of property brought into UK for individuals and trusts. UK assets will remain within the scope of IHT for all individuals irrespective of Residence Status.

Individuals will remain within the scope of IHT for up to ten years following exit from the UK, and the IHT 'tail' will depend on how long they were resident in the UK.

Changes to the UK IHT rules on Business Assets (i.e. the future loss of 100% relief for the transfer of qualifying business or agricultural assets) may also need to be considered for non-domiciled individuals holding such UK assets personally or in trust.

If you wish to discuss your position, please do not hesitate to contact our offices.



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