

Changes to the Non-Domicile regime from 6 April 2025

A number of changes were announced in the Spring Budget 2024 affecting non-domiciled (non-dom) individuals – i.e. those who were 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 summarised 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.
- Under this regime there will be no UK tax on FIG regardless of whether remitted to the UK or not, during the first 4 tax years of UK residence.
- Under this regime, FIG also includes the income and gains arising within overseas trust structures.
- If the regime is elected into and FIG's are remitted, the approach is simpler with no mixed fund or retracing requirements.
- 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.
- 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 domiciled individuals will also be able to use the 4 year FIG regime after 10 years of non-UK tax residence.
- Business Investment Relief will still be available for qualifying investments of pre 6 April 2025 FIG made on or after 6 April 2025 and will continue to be available for qualifying investments made prior to 6 April 2025.
- The Statutory Residence Test will continue to be used to determine the years of residence and no changes have been announced to the split year or treaty resident rules.



Due to the impact of these changes on existing non-domiciled individuals and those who claim the remittance basis transitional arrangements have been announced:

- For those unable to use the new FIG regime from 6 April 2025 and move onto the arising basis from the remittance basis, only 50% of their foreign income arising in 2025/26 will be taxable. This only applies for 1 year and does not apply to foreign chargeable gains.
- Temporary Repatriation Facility (TRF) - In 2025/26 and 2026/27 if FIG is remitted, and these arose in pre 6 April 2025 years in which the remittance basis was claimed, the sums remitted will only be taxed at 12%.
- However, the TRF does not apply to income and gains within overseas trust structures, or any distributions.
- There will again be relaxation to the mixed fund ordering rules under the TRF.
- From 6 April 2025, if any remittance basis users make disposals of non-UK assets, rebasing can be applied to the market value at 5 April 2019.

Globally mobile employees:

- For new arrivals to the UK from 2025/26 OWR will only be available if individuals are eligible for the FIG regime, i.e. after 10 years of non-UK residence.
- For those eligible for Overseas Workday Relief (OWR) in 2023/24 this will continue to be available for the 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.
- NIC will still apply to the UK and overseas workday portion, under OWR as applicable.
- Care will be needed when planning assignments and their duration if they are expected to last beyond the 4 year FIG regime period.
- Further clarification is needed on potential implications on the non-dom reliefs relating to home leave, relocation travel and temporary workplace travel reliefs which usually applied for 5 year periods.



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.
- Whilst this is to be consulted on it is likely that IHT will be charged on a worldwide asset basis after 10 years of UK tax residence, and a 10 year tail for those who leave.
- Previously, offshore trusts settled by non-domicile individuals and by those not yet deemed domicile benefitted from the income and gains arising within the structures being free from UK taxation, by virtue of their protected status.
- From 6 April 2025 such structures will lose this protection so that a UK resident settlor of an offshore trust structure will be taxed on the income and gains arising with the structure, once they are no longer eligible for the 4 year FIG regime.
- Existing excluded property trusts settled prior to 6 April 2025 retain their IHT protection.
- 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.
- There is a potential opportunity to continue to settle further excluded property trusts before 6 April 2025 for UK IHT protection on overseas assets.

Whilst these are supposedly simplification measures the announcements are complex and likely to have significant impact. The draft legislation has not yet been released but there is urgent need to take advice to consider how these announcements will impact you.

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

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