



Changes in UK tax law – current and updates

During the 2024 Spring Budget, the current Chancellor announced changes to the tax regime that will impact non-UK domiciled individuals who are within the scope of our tax system. Whilst the rule changes have not been confirmed in legislation, the opposition signalled approval of the FIG regime, although they have announced there could be some changes. For now, details of opposition proposals remain unclear, we can therefore only consider what detail we have.

Comparatives for Income Tax and Capital Gains Tax

Current rules

Under the current regime, a non-UK domiciled individual is able to protect their non-UK sourced income and gains from UK tax by making a claim to the remittance basis. Assuming continued tax residency on arrival, a qualifying individual can claim the remittance basis for the first 15 tax years.

After this point they are considered to be deemed domicile for tax purposes and are subject to tax on their worldwide income.

Under this regime, the remittance basis is a protection from UK tax, providing the funds are not remitted to the UK. If they are, they are considered to be subject to tax at this point. For the first 7 tax years, there is no charge to use the regime, however, after the 7th tax year, there is an annual charge of £30,000, which subsequently increases to £60,000 in year 13.

Proposed rules

The Chancellor announced that the current remittance basis regime will be abolished and replaced by the new Foreign Income & Gains (FIG) regime. This will apply to individuals in their first 4 years of UK tax residency, which the Statutory Residence Test (SRT) continues to govern.

The availability of the regime will depend on the individual's tax residency in the preceding 10 tax years.

For the 4-year period individuals will be able to use income and gains realised in that time in the UK without any tax charges. For qualifying inbound taxpayers this will be a good opportunity to realise offshore income and gains tax-free.

A new 12% rate of tax will apply for remittances of funds that have previously benefitted from the remittance basis regime, where those funds are remitted to the UK during the tax years ended 5 April 2026 and/or 5 April 2027.

It has been announced that there will be some relaxation of the complex 'mixed fund' ordering rules to make it easier to access the 12% tax rate where identification rules are complex. It should be noted that after 6 April 2027 any remittances of pre-6 April 2025 funds protected by the remittance basis will be taxed at normal rates.

From 6 April 2025, an individual who is not eligible for, or later ceases to be eligible for the new 4-year FIG regime, will be subject to capital gains tax on non-UK disposals. As with the changes announced in 2017, there is an opportunity to rebase personally held foreign assets, with the valuation date being 5 April 2019.

Envisaged Comparatives for Inheritance Tax

Current rules

As stated above, once an individual becomes deemed domicile for tax purposes, this applies to all taxes, including inheritance tax. As such, after year 15 (again assuming continued residency) an individual's worldwide estate is within the scope of UK Inheritance Tax (IHT). Prior to April 2017, the same position applied if you were considered UK tax resident for 17 of the previous 20 years ending at the time the relevant event occurred.

Whilst the worldwide estate is brought within the scope of IHT after 15 years, in order for the non-UK situs assets to be outside the scope of UK IHT, one must become non-UK tax resident for 4 consecutive years.

Proposed rules

As it stands, IHT is a taxation that is based on the principles of domicile. A non-UK domiciled individual's non-UK situs assets are outside the scope of UK IHT. The current proposal, which is subject to consultation, is to change this to a residence-based system, meaning that an individual who has been resident in the UK for 10 years will be subject to UK IHT on their worldwide assets, again from 6 April 2025.

In addition to this, there will be a 10-year tail after leaving the UK. Once an individual has been UK tax resident for 10 years, should they leave, their worldwide estate would remain within the scope of UK Inheritance Tax.

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Envisaged Comparatives for Trusts

Current rules

Under current rules, where a non-UK domiciled individual settles a Trust before they are considered UK deemed domiciled, and that trust is not tainted after that date, the Trust benefits from certain income tax, capital gains tax and IHT protections.

Proposed rules

From 6 April 2025, the protection from tax on income and gains arising within a trust where the settlor is also a beneficiary will not be available for individuals outside of the 4-year FIG regime.

However, it is envisaged that the IHT protections for assets within a non-UK settlement, that was settled prior to 6 April 2025 will continue to apply. As such taxpayers may no longer benefit from income tax and capital gains tax benefits, but they could still benefit from IHT protections.

It is highly recommended that for individuals who will continue to be considered UK tax resident, they review their trust deeds and history on value being added to consider who is considered to be the settlor for UK tax purposes, who the beneficiaries are and what the tax impact will be after 5 April 2025.