

# UK Autumn Budget 2024

## Non-dom changes and IHT reform – the impact on offshore trustees

KPMG in the Crown Dependencies

### Overview of the new rules

From 6 April 2025, the current remittance basis rules for non-UK domiciled individuals (“non-doms”) will end and together with it, the concept of domicile for tax purposes.

Instead, all UK resident individuals will immediately be liable to UK tax on their worldwide income and gains on an arising basis, unless they qualify as “new arrivals” to the UK and make a claim for UK tax relief on their foreign income and gains (“FIG”) in their first 4 tax years of residence (“the FIG regime”).

They will also then be able to bring these funds into the UK free from any additional charges. To be eligible for the FIG regime, the individual must not have been UK tax resident in any of the 10 years immediately preceding the 4-year FIG period.

There will also be two transitional reliefs available for individuals who were former remittance basis users. The first will allow pre-6 April 2025 FIG to be remitted to the UK at reduced rates of tax for three tax years commencing with the tax year 2025/26 (the Temporary Repatriation Facility or “TRF”) and the second, will allow for rebasing of foreign assets to their value on 5 April 2017.

In addition, new UK inheritance tax (“IHT”) rules will be introduced from 6 April 2025 that will bring long-term resident (“LTR”) individuals within the scope for IHT if they have been UK tax resident for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event occurs. An LTR will also remain within the scope of IHT for a period of time after ceasing to be a LTR (also known as the “IHT tail”) and the IHT tail will increase depending on the number of years the individual has been UK tax resident up to a maximum of 10 tax years.



### The importance of residence

UK residence is determined under the UK Statutory Residence Test (“SRT”) which can be simpler to apply to an individual than determining domicile and will therefore provide more certainty to an individual’s tax position. However, the application of the SRT can in some cases give rise to unexpected results and so formal tax advice is strongly recommended.

Although the concept of domicile will end, it will still be important to ensure that any trusts settled prior to 6 April 2025 where the settlor died before this date will still be IHT efficient in relation to non-UK assets. This will mean ensuring that the settlor was definitively non-domiciled and not deemed domiciled in the UK on the date of the creation of the trust and/or when additions were made to the trust (whether by the settlor or another individual).

## How does the new FIG regime impact us?



**A settlor who does not qualify for the FIG regime will, as a starting point, be taxed on all FIG in the offshore trust structure on an arising basis.**

Trustees may wish to assist settlors in mitigating their UK tax liabilities going forward by considering:

- if trust terms can be amended before 6 April 2025. For example, trustees may wish to explore excluding the settlor (and spouse/future spouses) from benefiting from the trust as this could limit any UK tax exposure on the settlor to capital gains only.
- whether any of the motive defences that may prevent FIG arising within the offshore structure being attributed to the settlor under the UK's anti-avoidance legislation, can be relied upon.
- whether there is any merit in changing the investment policy of the trust or the nature of the trust fund before 6 April 2025.
- whether any restructuring, simplifying and/or resettling trusts can be undertaken tax efficiently before 6 April 2025.
- whether any non-UK assets held in the trust can be rebased to their current market value.
- if the trust still serves its purpose and if not, whether it should be wound up.



**A beneficiary (which may include the settlor) qualifying for and claiming the FIG regime can receive trust distributions from an offshore trust and remit them to the UK free from UK tax.**

- Trustees may want to think about delaying trust distributions until after 6 April 2025 if the beneficiary can benefit from the FIG regime in respect of these distributions.

## How does the TRF affect us?



**A beneficiary (which may include the settlor) who does not qualify for the FIG regime may however qualify for the TRF if they have claimed the remittance basis pre-6 April 2025.**

- Trustees may want to think about making income distributions to settlors/beneficiaries before 6 April 2025 which, if not remitted to the UK pre-6 April 2025, can then be "designated" and taxed at reduced rates in the years 2025/26 to 2027/28. "Designated" income can be remitted to the UK post-6 April 2025 at no additional cost even if this is outside of the 3-year TRF period. Income distributions made after 6 April 2025 will not be able to benefit from TRF.



**Capital distributions and/or benefits made from offshore trusts in the 3-year TRF period can also benefit from the TRF.**

- Trustees may want to think about transferring non-UK assets out of existing trusts to beneficiaries before 6 April 2025 so those individuals may benefit from the remittance basis of assessment, particularly where personal ownership of such assets is envisaged.
- Trustees may want to delay capital distributions to beneficiaries until after 6 April 2025 if they can be matched with pre-6 April 2025 FIG and benefit from the TRF.

## How does the rebasing relief impact us?



**The transitional rebasing relief where non-UK assets may be rebased to their value on 5 April 2017 for former remittance basis users will not be available to trustees (or to any settlor to whom trust gains are attributed).**

- Trustees may want to consider if assets can be rebased to their current market value to mitigate future capital gains tax liabilities arising to the settlor and/or beneficiaries of the trust at a rate of 24%.

## How does the IHT reform affect us?



**Trustees may fall in and out of the scope of IHT on non-UK assets as the settlor's residence changes during their lifetime.**

- Trustees will need to monitor the residence status of settlors carefully to ascertain whether the settlor is a LTR on chargeable event dates, e.g. ten-year anniversaries of the trust and/or on exit charges (i.e. typically, when distributions are made).
- Trustees will also need to monitor the settlor's IHT tail because if a chargeable event arises during an IHT tail period, it will still be within the scope of IHT.
- Trustees should be aware that exit charges will also arise when relevant property becomes excluded property, e.g. when the settlor ceases to be an LTR, or on 6 April 2025 for non-UK trusts established before 6 April 2025 by UK domiciled individuals who are not LTR on this date.
- For trusts with deceased settlors, the IHT status of non-UK assets in the trust will depend on when the settlor's death occurred. If before 6 April 2025, the domicile of the settlor on creation of the trust still needs to be determined to ascertain the IHT treatment of the trust's chargeable events. If the settlor dies on or after 6 April 2025, the non-UK assets of the trust will only be outside the scope of IHT if the settlor was not a LTR on death. Otherwise, if the settlor is an LTR on death, all the trust assets will be within the scope of IHT for the remainder of the trust's existence.

## KPMG Comments

The new rules are far-reaching, there is undoubtedly a lot to think about and trustees only have a short window of opportunity if any action is to be taken before 6 April 2025.

Record keeping will be critical going forward not only to track the UK residence status of settlors to determine the trustees' liability to IHT but also to assist settlors and beneficiaries in determining how trust income and gains, trust distributions and benefits from trusts should be taxable on them personally.

Trustees should ensure that if they have or they may have UK resident beneficiaries in the future that they prepare and maintain relevant income and stockpiled gains pools on an annual basis. This will enable them to assist settlors and beneficiaries with their personal UK tax reporting obligations in relation to trust distributions and/or benefits and in the event the trust is to be wound up in the future.

Settlors may request to receive funds from the trust to settle UK tax suffered on income and gains arising within the trust structure so trustees should be prepared for this.



## How can we help?

We are working with individuals, trustees and their advisers to assess and analyse the impact of these changes.

We can work with trustees to assess the impact of the rule changes in respect of the structures that they administer and to work with impacted settlors and beneficiaries of trusts, provide advice on the proposed transitional reliefs and ensure that you and/or your clients are suitably prepared for the rule changes when they are introduced from 6 April 2025.

It should be noted that the historic issues impacting offshore trusts in respect of prior year obligations do not fall away and we remain available to undertake overall health checks, assist with the calculation of relevant income and stockpiled gains and assist with 10-year charge and exit charge returns as well as any necessary HMRC disclosures.

# Your tax contacts

## Guernsey



### Paul Beale

Head of Family Office  
and Private Client  
+44 (0) 1481 755798  
[paulbeale@kpmg.com](mailto:paulbeale@kpmg.com)



### Joseph Milward

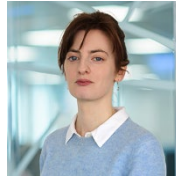
Senior Manager  
+44 (0) 1481 755719  
[jmilward@kpmg.com](mailto:jmilward@kpmg.com)

## Jersey



### Harry Malet de Carteret

Senior Manager  
+44 (0) 1534 632566  
[hmaletdecarteret@kpmg.com](mailto:hmaletdecarteret@kpmg.com)



### Laura Hitch

Manager  
+44 (0) 1534 611533  
[lhitch@kpmg.com](mailto:lhitch@kpmg.com)

## Isle of Man



### Justine Howard

Associate Director  
+44 (0) 1624 681062  
[jhoward@kpmg.co.im](mailto:jhoward@kpmg.co.im)



### Hannah Finch

Manager  
+44 (0) 1624 681086  
[hfinch@kpmg.co.im](mailto:hfinch@kpmg.co.im)



[kpmg.com/cds](https://kpmg.com/cds)

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG in the Crown Dependencies is the business name of a group of Jersey and Isle of Man limited liability entities each of which are member firms of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.