



Non-dom regime reform

Long-term resident

I am non-UK domiciled and I came to the UK 30 years ago. I am retired and cannot return to my home country at present for political reasons. I established a non-UK resident trust which now owns a complex corporate structure holding most of my family's wealth in UK and European real estate and non-UK discretionary portfolios. Since I no longer qualify for the remittance basis, monitoring the UK tax classification of this trust is important to me.

? What do I need to think about?

How much tax will I owe as the settlor under the new rules?

Given the IHT changes, is the IHT cost worth maintaining asset protection?

Will the potential IHT changes impact me?

What would happen if I left the UK?

Is the protected regime still applicable?

What information do I need to report to HMRC?

Which changes could impact me?

In the UK Spring Budget on 6th March 2024, the former Government announced the end of the "non-dom" regime from 6 April 2025. You probably won't qualify for the replacement regime expected to be enacted by the new Government for newcomers, as you have been a UK resident for too long. The new Government is also expected to end the 'Protected Trusts' regime (introduced from 6 April 2017) from 6 April 2025 onwards, meaning you, as a settlor, could be taxed for the first time on trust non-UK source income and worldwide capital gains as if those taxable sources belonged to you. However, any of these sources arising pre-6 April 2025 will continue to be subject to tax only when 'matched' to trust distributions and benefits.

A consultation is also expected on IHT reform from April 2025, shifting from a domicile-based tax to a residency-based one. This means individuals could be taxed on their worldwide assets after residing in the UK for 10 years with those leaving remaining in scope for an additional 10 years. This reform also affects certain non-UK trusts. The new government's stated intention from April 2025 is that all foreign assets held in a trust will become subject to IHT regardless of when the trust was settled, so that anyone living in the UK permanently will be paying UK inheritance tax on their worldwide estates. This significantly changes the current IHT exposure for

foreign assets held in existing excluded property trusts (i.e., non-UK assets held in trusts that were settled by non-UK domiciled individuals) which are at present outside the scope of IHT. Such trusts will remain valuable for asset protection and global succession planning, but their UK tax profile will require careful consideration.

What information might I need to seek advice?

1. Copy of the trust deed and the settlor's letter of wishes.
2. Understanding of the current trust structure, the sources of foreign income and worldwide capital gains and when they arise.
3. Understanding of the records maintained by the trustee that can be used to calculate the settlor's new UK tax liabilities.
4. Copies of any previous advice about the creation of the trust and the rationale for setting it up.

Pre-6 April 2025 possible actions

- Seek advice to evaluate the importance of trust's non-tax benefits and estimate your tax bill post April 2025. Scenario plan comparing the tax position of keeping and winding up the trust and making a decision.
- Reassess your options and confirm any planned actions in January/February 2025 or earlier if the draft legislation becomes available.



Remember! Look out for updates in relation to the IHT consultation.



The relevance of residence and domicile to inheritance tax for all individuals and trusts with non-UK assets and the taxation of non-UK domiciled individuals as well as the taxation of settlors and beneficiaries of non-UK resident trusts are areas of UK tax legislation that are subject to changes in both the law itself and also the interpretation of that law. These personas are general in nature and do not constitute advice so should not be relied upon. They are based on Government announcements and published documentation at 8 July 2024 and our understanding of how the rules are likely to be applied in practice. However, given the inherent uncertainty regarding this area it is possible that the final tax position may be different to the one anticipated in our personas.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.