Non-dom regime reform

New resident

I am an overseas citizen. I moved to the UK about a year ago after selling my business in Europe. I decided to come to the UK for a new adventure, and as my partner and I have happy memories of a previous holiday a few years ago. Our daughter arrived earlier than expected and was born in London, so the holiday lasted longer than we planned! I plan to stay at least for the next 10 years whilst my daughter finishes her education.

I have bought a new house in the UK, although I still have a home in Europe and other investments of significant value (all outside the UK).

What do I need to think about?

- Can I qualify for the 4-year FIG regime?
- Do I need to consider remittances?
- Do I still need to segregate my bank accounts, keep funds offshore and maintain my clean capital?
- Should I change my investment strategies in view of the new regime?
- What can I do in expectation of falling within the scope of UK IHT in the medium term?

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. It is expected that the new Government will replace it with a new regime proposed by the former Government, meaning newcomers should instead qualify for a 4-year foreign income and gains ("FIG") regime. Claimants won't pay UK taxes on FIG in their first 4 years and can remit it tax-free. It is possible that UK investment income could be received tax free if invested in the UK during the 4-year window too. The timing of your arrival in the UK will determine which regime you will fall under. As to qualify for the new regime, you can't have been a UK tax resident in the 10 years prior and so periods of previous UK tax residence will be important to understand.

In addition to the new regime, the following transitional arrangements are expected from 6 April 2025:

- Individuals previously taxed on the remittance basis can choose to remit untaxed pre-April 2025 FIG in tax years 2025/26 and/or 2026/27 and be taxed at a flat rate of 12%. It is possible that further relief for remittances beyond 2026/27 could be introduced.
- Individuals who previously claimed the remittance basis and sell assets after 6 April 2025, can choose to use the value of the asset at 6 April 2019, rather than its original cost, when calculating the resulting capital gain if this results in a lower capital gain.

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 will be taxed on their worldwide assets after residing in the UK for 10 years and will potentially remain within the charge for 10 years after leaving, so it will be important to understand how many tax years there are before an individual is caught within the scope of UK IHT.

What information might I need to seek advice?

1. List of UK assets
2. List of non-UK assets including current MV and 6 April 2019 MV
3. Details to support tax residency over the last 10 years
4. List of current bank accounts
5. Calculation of the untaxed FIG that has already been received since the start of UK residence
6. Understanding of FIG that will arise between now and 5 April 2025 and whether receipt to be delayed until after 5 April 2025

Pre-6 April 2025 possible actions

- Seek UK residency advice and understand the position for the last 10 years.
- Understand how "non-dom" and FIG regimes will apply, including transitional provisions.
- Discuss bank account structure with your bankers and seek advice on optimising it according to UK tax rules.
- Reassess your options and confirm any planned actions in January/February 2025 or earlier if the draft legislation becomes available.

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Remember! Look out for updates in relation to the draft legislation for the 4-year FIG regime.