

# GMS Flash Alert

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## United Kingdom – Spring Budget 2024: End of the Remittance Basis

The Chancellor of the Exchequer, Jeremy Hunt, delivered the Spring Budget to the U.K. Parliament on 6 March 2024.<sup>1</sup>

Over the last few years, U.K. budgets and other fiscal events have been quiet from a global-mobility perspective, but this was not the case for this Budget. The Chancellor announced major changes to the taxation of non-domiciled individuals with effect from 6 April 2025, which will significantly impact the taxation of many individuals currently on and considering assignments to the United Kingdom. These changes and the effect that they will have on globally-mobile individuals and their employers are considered in more detail in this *GMS Flash Alert*.

The Chancellor also announced a further reduction in the main rate of National Insurance for employees from 10 percent to 8 percent, taking effect from 6 April 2024. This follows the reduction announced in the Autumn Statement 2023, where the rate was reduced from 12 percent to 10 percent with effect from 6 January 2024.<sup>2</sup>

## WHY THIS MATTERS

For employers of globally-mobile employees there is always a great deal of interest in the U.K.'s fiscal events as they can have a direct impact on the cost of assignments.

The changes to the current remittance basis regime for non-domiciled individuals – which will be replaced with a new Foreign Income and Gains (FIG) regime – will have a significant impact on how individuals on assignment will be taxed, in many cases simplifying the individual's taxation, but potentially increasing the U.K. tax paid by individuals who have been resident in the U.K. for several years. (We consider the new rules and how these compare to the current rules in the next section of this *Flash Alert*.)

The impact of the changes to the taxation of non-U.K. domiciled individuals will depend on each taxpayer's particular set of circumstances. For individuals newly arriving in the U.K. after 6 April 2025 who are eligible for the FIG regime, their position is likely to be more straightforward since in their first four years of residency they will only be taxed on their U.K. income and gains, and will be able to bring their non-U.K. income and gains to the U.K. without any additional U.K. tax due. This compares to the current need to keep non-U.K. income offshore and the detailed "mixed fund" rules used to determine what income has been brought into the United Kingdom.

However, longer-term residents in the U.K. may see an increase in their U.K. taxation, as they will no longer be able to benefit from the remittance basis regime, and will be taxable in the U.K. on their worldwide income and gains once they have been resident in the U.K. for four years.

It is essential to get in front of the changes described in this newsletter and to communicate quickly and clearly with key stakeholders, so that they can properly plan, budget, and make any necessary adjustments.

## Overview of Main Measures

### Non-Domiciles and the Remittance Basis

#### **Current Position**

The term "domicile" is not defined in U.K. tax legislation, and is best understood as the state that individuals consider to be their long-term home, even if they are not currently living in that state. This is a separate tax concept to residence, and a range of factors must be considered to determine an individual's domicile.<sup>3</sup>

Under the current rules, a non-domiciled individual can elect to be taxed in the U.K. on the remittance basis of taxation. If an individual elects to be taxed on this basis, he or she will be taxed in the U.K. only on his or her U.K.-sourced income and gains, and any non-U.K. income and gains brought into the U.K. ("remitted"). The individual also loses the benefit of the tax-free personal allowance and capital gains annual exemption (unless his or her non-U.K. income and gains for the year are less than £2,000). This is subject to the following charges:

- Once an individual has been resident in the U.K. for seven out of the nine previous U.K. tax years, if he or she elects to be taxed on the remittance basis, he or she will need to pay a remittance basis charge ("RBC") of £30,000;

- Once the individual has been resident in the U.K. for 12 out of the previous 14 U.K. years, the RBC increases to £60,000;
- Once the individual has been resident in the U.K. for 15 out of the previous 20 U.K. tax years, the individual is considered to be “deemed domicile” and can no longer elect to be taxed on the remittance basis of taxation.

### **KPMG LLP (U.K.) INSIGHTS**

Under this regime, in order to help ensure that the individual’s non-U.K. income and gains are not taxable in the U.K., these must be kept outside of the U.K., and if they are remitted to the U.K., they become subject to U.K. tax. This can be very administratively burdensome with the individual needing to keep very careful bank account records, and the rules used to determine exactly what income/gains are remitted to the U.K. are very complex.

### ***New Four-Year Foreign Income and Gains (FIG) Regime***

The proposed new regime is a significant simplification of the current rules. The key features are as follows:<sup>4</sup>

- The concept of “domicile” will be abolished from 6 April 2025. Instead, individuals will be eligible for the new FIG regime if they were non-resident in the U.K. for the previous 10 U.K. tax years.
- From 6 April 2025, individuals who are eligible and elect to be taxed on the FIG regime will only be taxable in the U.K. on their U.K.-sourced income and gains. They will not be taxable on their overseas income and gains – regardless of whether these are remitted to the United Kingdom. Such individuals will lose the benefit of the tax-free personal allowance and CGT annual exempt amount if they elect to be taxed on the FIG regime.
- They can elect to be taxed under the new FIG regime for their first four years of U.K. tax residence. After this, such individuals will be taxable in the U.K. on their worldwide income and gains.

### ***Overseas Workday Relief***

Currently, a non-domiciled individual arriving in the U.K. qualifies for Overseas Workday Relief (“OWR”) if he or she were non-resident for the previous three consecutive U.K. tax years. If an individual qualifies for OWR, he or she can exempt the income relating to his or her non-U.K. workdays from U.K. taxation – as long as the income relating to these days is paid outside the U.K. and not remitted to the United Kingdom. This relief is available for the initial year of residence in the U.K., and the two following tax years.

Under the new proposals, OWR will be available to individuals who are eligible for the new FIG regime. However, the individuals will not need to keep the earnings relating to their non-U.K. workdays outside the United Kingdom.

## KPMG LLP (U.K.) INSIGHTS

This will be a significant simplification as the current rules regarding bank account structure and determining exactly what earnings have been remitted to the U.K. are very complex and administratively burdensome. It will also allow individuals to bring money to the U.K. to fund their living costs without worrying about triggering an additional U.K. tax charge. Travel diaries will need to be maintained very carefully.

Some individuals who currently are able to take advantage of the OWR rules may not qualify under the new rules (for example, if they were non-resident in the U.K. for more than three but fewer than 10 years before moving to the U.K.). We understand that individuals who arrive in the U.K. when the old rules are still in place will be able to claim relief for three years, but individuals entering the U.K. from 2025/26 will only qualify for relief if they meet the new 10-year condition.

We are expecting further details on the eligibility criteria to be published once the government has consulted with stakeholders.

## Transitional Rules

The proposed new rules are expected to come into effect from 6 April 2025. For the 2024/25 tax year, the existing rules will remain in place.

The following transitional rules have been announced:

- Individuals who are currently taxed on the remittance basis but will not be eligible for the new FIG regime will be subject to a one-year reduction in the amount of foreign income that will be subject to tax. For the 2025/26 tax year only, only 50 percent of their non-U.K. income and gains will be subject to U.K. tax.
- There will be transitional rules which allow capital gains tax rebasing for individuals who have claimed the remittance basis and are non-U.K. domiciled by 5 April 2025. If they dispose of a personally-owned foreign asset in a period where they are not eligible for the new FIG regime, they will be able to elect to rebase the asset to its value at 5 April 2019. This will be subject to conditions that will be published at a later date.
- A Temporary Repatriation Facility (TRF) will be introduced for individuals who were taxed on the remittance basis in an earlier year. If they remit foreign income from this year to the U.K. in 2025/26 or 2026/27, this will be taxed at 12 percent.

## KPMG LLP (U.K.) INSIGHTS

We understand that there will be a relaxation of the mixed fund ordering rules. From 2027/28 onwards, remittances of pre-6 April 2025 foreign income and gains will be taxed at the normal rates, so care should be taken to maintain clear records of FIG which does and does not fall into this category.

### National Insurance Contributions (NIC)

The Chancellor had previously announced at the Autumn Statement 2023 that the main Class 1 NIC rate for employees between the Annual Threshold and the Upper Earnings Limit will reduce from 12 percent to 10 percent, with effect from 6 January 2024.

At the Spring Budget, the Chancellor announced a further reduction of 2 percent for the main rate between the Annual Threshold and the Upper Earnings Limit, from 10 percent to 8 percent.

The rates for employer National Insurance are unchanged and as previously announced, the National Insurance thresholds will remain frozen at their current levels until April 2028.

2024/25	
Annual Threshold for Employee NIC	£12,570
Annual Threshold for Employer NIC	£9,100
Upper Earnings Limit	£50,270

2024/25	
Class 1, 1A and 1B NIC Rate for Employers on Earnings Above the Annual Threshold	13.8%
Class 1 NIC Rate for Employees Between the Annual Threshold and Upper Earnings Limit	8%
Class 1 NIC Rate for Employees Above the Upper Earnings Limit	2%

Source: KPMG LLP (U.K.)

The Class 4 rate for self-employed individuals will reduce from 9 percent to 6 percent with effect from 6 April 2024.

### Other Measures

- No changes were announced to the current income tax rates and bands.
- The rate of capital gains tax on property for higher-rate taxpayers will reduce from 28 percent to 24 percent with effect from 6 April 2024.

## KPMG LLP (U.K.) INSIGHTS

Globally-mobile individuals and their employers may indeed be very interested in the proposed changes to the taxation of non-U.K. domiciled individuals. For individuals initially moving to the U.K. who only intend to remain in the U.K. for a limited period, the rules could be very welcome as they are a significant simplification of the current rules, allowing them to bring their non-U.K. income and gains to the U.K. without an additional tax charge and removing the need to keep detailed bank account records to avoid inadvertently remitting income and triggering a U.K. tax charge.

For non-domiciled individuals who currently claim the remittance basis but would not be eligible to claim relief under the proposed new rules, the changes could be less welcome, as their foreign income and gains will now be taxable in the U.K., although the proposed transitional rules may mitigate this to some extent.

### Next Steps

We are expecting further guidance and legislation in respect of the new Foreign Income and Gains (FIG) regime to be published later this year, for technical comments. There may be some changes to this following feedback that the government receives from stakeholders.

The government has announced that there will be a tax administration and maintenance day on 18 April 2024, when we are anticipating that consultations will be issued, which may impact the globally-mobile population.

We are expecting that the next general election will be held in Autumn 2024 (January 2025 at the latest). A new government may choose to amend some of the announced changes to the taxation of globally-mobile individuals.

KPMG LLP (U.K.) will continue to keep readers informed of any further developments that concern individuals, including those on international assignments, and their multinational employers.

## FOOTNOTES:

1 For the U.K. government's Spring Budget 2024, click [here](#). For coverage and analysis of the Spring Budget 2024 by KPMG LLP in the U.K., click [here](#).

2 For coverage by KPMG LLP in the U.K. of the Autumn Statement 2023, see [GMS Flash Alert 2023-224](#) (22 November 2023).

3 HMRC's guidance on the current residence, domicile and the remittance basis rules can be found here: [Residence, domicile and the remittance basis: RDR1 - GOV.UK \(www.gov.uk\)](#).

4 Full details of the proposed changes to the changes to the taxation of non-U.K. domiciled individuals can be found on the U.K. government's website, here: [Technical note: Changes to the taxation of non-UK domiciled individuals - GOV.UK \(www.gov.uk\)](#).

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in the United Kingdom:



**Michael Lavan**  
**Director**

Tel. + 44 (0) 7880 054696  
[mike.lavan@kpmg.co.uk](mailto:mike.lavan@kpmg.co.uk)



**Nicola Sard**  
**Senior Manager**

Tel. +44 (0) 20 7694 3592  
[Nicola.Sard@kpmg.co.uk](mailto:Nicola.Sard@kpmg.co.uk)

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