

APRIL 2025 LEGISLATIVE CHANGES FOR NON-UK DOMICILED INDIVIDUALS

What is “domicile”?

The domicile of an individual relates to their origins, and to their long-term future intentions. Domicile is a static concept, unlike residence which is very fluid. An individual’s residence may change regularly, but an individual’s domicile is unlikely to change more than once in a lifetime.

There are three occasions on which a domicile can be established:



At birth an individual acquires a **domicile of origin**. This is the domicile of their father at the time that the individual is born, provided their parents were married. If their parents were unmarried, they will adopt their mother’s domicile at this time.



Between birth and the age of 16 an individual can acquire a **domicile of dependency**. A domicile of dependency is acquired if an individual’s father’s domicile changes.



From the age of 16 a **domicile of choice** may displace an individual’s domicile of origin or dependency. A domicile of choice is not so much chosen by the individual, but for the individual based on the lifestyle adopted and choices made. For a domicile of choice to be acquired an individual must permanently settle in a new jurisdiction, with no intention of ever leaving.

What changes should non-UK domiciled individuals be aware of?

In the March 2024 Spring Budget, the then-Conservative Government announced their intention to abolish the favourable tax regime for non-UK domiciled individuals (non-doms).

The Labour Government’s first Budget announcement on 30 October 2024 clarified the changes that will be implemented; the headline messages were largely as expected, bearing close resemblance to the rules proposed in March 2024, save for a few key differences.

While the legislation has not yet been finalised and may therefore be subject to slight changes, an overview of the current rules and proposed changes can be found on **pages 4-5** of this document.

Action required

We highly recommend that all affected individuals arrange to speak with our specialist team to fully understand how the proposed changes may affect their tax affairs. In many instances, action can be taken prior to 5 April 2025 to minimise the impact.

To ensure our team are able to advise fully on your position, we recommend the items shown within the checklist enclosed within **pages 2-3** of this document are considered as soon as possible. For maximum benefit, a completed copy of the checklist could be provided to the team in advance of the call.

Provided BKL have filed your most recent self-assessment Tax Returns, we may already hold some of the information listed within the checklist.

APRIL 2025 CHECKLIST FOR NON-UK DOMICILED INDIVIDUALS

Client name: _____

ITEMS TO CONSIDER

CLIENT COMMENTS

Domicile

Please provide your country of domicile.

Arrival in the UK*

Were you born in the UK? If so, please provide your date of birth.

If not, on which date did you arrive in the UK?

Historic residence position*

If you have not been continuously resident in the UK for tax purposes since your above date of arrival, please provide a brief overview of your residence history.

Long term residence plans

Please provide details of:

1. How long you intend to remain resident in the UK
2. If you were to leave the UK, the countries you would consider moving to.
3. Any other details which may dictate your ability/likelihood of moving overseas/to the UK.

Remittance basis*

Have you previously made a claim for the remittance basis? If so, please provide the most recent tax year in which a claim has been made.

Remitting money to the UK

Where claims for the remittance basis have previously been made, please confirm:

1. Whether you have maintained overseas segregated accounts
2. Whether you continue to hold income/gains overseas which have previously been sheltered from UK income tax
3. The quantum of your UK monies/clean capital
4. Whether your UK monies/clean capital are sufficient to fund your UK expenditure for the foreseeable future

Family

Please provide the names, ages and domiciles of your spouse/civil partner and/or children.

Restructuring your affairs

Please consider how you feel about the following:

1. Beginning to pass wealth to the next generation
2. Changing your investment strategy
3. Establishing Trusts and/or Companies to hold relevant assets

Offshore Trusts

1. Are you the beneficiary of any UK or non-UK Trusts?
2. Are you the settlor of any UK or non-UK Trusts?

OVERSEAS ASSETS

ASSET	PURCHASE DATE	PURCHASE PRICE	VALUE AT 05 APRIL 2017	CURRENT VALUE

ADDITIONAL NOTES

SUMMARY OF CURRENT AND PROPOSED LEGISLATION

	Current Legislation	Proposed New Legislation	Proposed Transitional Reliefs
Income Tax and Capital Gains Tax	<p>Currently, non-doms can claim the remittance basis within their annual Tax Returns. The remittance basis shelters overseas income and gains from the scope of UK tax, provided they are not remitted to the UK. A claim also has the following effects:</p> <ul style="list-style-type: none"> • The loss of UK tax-free allowances in any year the remittance basis is claimed. • Once an individual has been resident in the UK for at least seven of the prior nine UK tax years, a £30,000 charge (known as the remittance basis charge) applies in each year a claim for the remittance basis is made. • Once an individual has been resident in the UK for at least 12 of the prior 14 UK tax years, the above-mentioned remittance basis charge increases to £60,000. • Once an individual has been resident in the UK for at least 15 of the prior 20 tax years, they are “deemed UK domiciled” for UK tax purposes and are therefore unable to claim the remittance basis. 	<p>The remittance basis regime will be abolished from 6 April 2025 and will be replaced by the Foreign Income and Gains (FIG) regime.</p> <p>Regardless of an individual's domicile position, the FIG regime will be available to any individuals who are in their first four years of UK residence, after a period of 10 consecutive years of non-UK residence. During these four years, new arrivals will not be subject to UK tax on their foreign income and gains, nor on distributions from non-UK resident Trusts. Overseas income/gains arising within this four-year period can be remitted to the UK without further tax charges.</p> <p>Once the four-year period has ended, individuals will be subject to UK tax on their worldwide income and gains.</p>	<p>Two transitional reliefs are set to be introduced:</p> <ul style="list-style-type: none"> • A Temporary Repatriation Facility (TRF) will be introduced whereby those who have previously claimed the remittance basis can bring pre-April 2025 “tainted” funds to the UK and pay a reduced rate of tax for a limited time only. These rates are 12% in the 2025/26 and 2026/27 tax years, then 15% in the 2027/28 tax year. • Individuals who have claimed the remittance basis in any tax year from 2017/18 to 2024/25 (inclusive) but will not qualify for the FIG regime will receive an opportunity to rebase overseas assets so that capital gains tax is only paid on the increase in value from 5 April 2017 (where the asset was held prior to this date) to the date of the sale.
Inheritance Tax	<p>Currently, non-doms are only subject to inheritance tax (IHT) on transfers of assets situated in the UK, unless an individual is deemed UK domiciled or election has been made to treat an individual as domiciled in the UK.</p> <p>For IHT purposes, an individual is “deemed UK domiciled” if they meet any of the below conditions in the year of the event subject to IHT:</p> <ul style="list-style-type: none"> • Was domiciled in the UK under general law at any point in the last three years; • Was born in the UK with a UK domicile of origin and is UK resident; or • Has been resident in the UK for at least 15 of the 20 prior tax years. <p>If an individual leaves the UK, deemed UK domiciled status will continue for IHT purposes for three years after their departure.</p>	<p>An individual's IHT exposure will no longer be dictated by their domicile position. Provided an individual has not been resident in the UK for 10+ of the prior 20 UK tax years, they will only be subject to UK IHT on their UK assets.</p> <p>Once an individual has been resident in the UK for 10 of the prior 20 UK tax years, they will be considered long term resident (LTR) for inheritance tax purposes, at which time their worldwide estate will be subject to IHT.</p> <p>A “tail” will apply to keep overseas assets within the scope of UK IHT once an LTR leaves the UK. The tail will range from 3 to 10 UK tax years, depending on how long the individual was resident in the UK prior to their departure.</p>	<p>For individuals who were non-UK domiciled at 30 October 2024 (i.e. the date of the Government's recent Budget announcement), but are non-UK resident from the 2025/26 UK tax year onwards, the current rules for deemed UK domiciled individuals will apply. If these individuals resume UK residence at any time in the future, the new rules will apply from the date of return.</p>

	Current Legislation	Proposed New Legislation	Proposed Transitional Reliefs
<p>Overseas Trusts</p>	<p>The tax regime applicable to settlor-interested non-UK trusts, which were settled before the settlor became deemed UK domiciled, is complex. Broadly, since 6 April 2017, the following key concepts are:</p> <ul style="list-style-type: none"> • Non-UK domiciled and deemed UK domiciled settlors are protected from an immediate tax charge on income and gains as they arise, other than in respect of UK source income which is taxable, and • Non-UK assets are outside the scope of UK IHT. <p>There are important conditions to consider in maintaining these trust protections, the most notable being that the trust must not be “tainted” at any time after the settlor becomes domiciled or deemed domiciled in the UK. This includes the addition of any value to the trust, however small, either by the settlor or by any associated trust.</p>	<p>From 6 April 2025, income and gains arising in both new and existing settlor-interested trusts will be taxed on the settlor, unless the settlor qualifies for the new FIG regime (mentioned above).</p> <p>Pre-6 April 2025 foreign income and gains will remain protected unless the settlor receives a distribution or benefit which can be ‘matched’ to pre-April 2025 income or gains under the existing rules. Qualifying individuals in receipt of such distributions in the period 6 April 2025 to 5 April 2028 may be able to benefit from a low tax rate under the TRF transitional relief (see above).</p> <p>Settlors and other beneficiaries who qualify for the FIG regime will be able to receive benefits or distributions from 6 April 2025 tax-free, regardless of whether they are received in or brought to the UK.</p>	<p>N/A</p>
<p>Overseas workday relief</p>	<p>Currently, an individual can claim relief from UK tax for duties performed overseas if:</p> <ul style="list-style-type: none"> • They are non-UK domiciled for the entire tax year; • They make a claim for the remittance basis in respect of that tax year; and • They perform duties of employment wholly or partly outside the UK in a tax year which is either: <ul style="list-style-type: none"> – The first tax year immediately after three consecutive tax years of being non-UK resident; or – One of the two following tax years. <p>Any earnings qualifying for relief are not taxable in the UK unless they are remitted to the UK, i.e. they must be kept out of the UK indefinitely to remain out of the UK tax net.</p>	<p>Relief will continue to be available for employees who qualify for the new FIG regime, providing relief on earnings related to employment duties performed overseas.</p> <p>This relief will now be available for four tax years and there will be no restriction on bringing earnings subject to the relief into the UK.</p> <p>There is however to be a new limit on the amount of relief an individual can claim each year, being the lower of 30% of the qualifying employment income and £300,000.</p>	<p>N/A</p>