

# NEED-TO-KNOWS

**The UK is significantly changing how it taxes non-domiciled residents (non-doms) from 6 April 2025. Here's what you need to know.**

## Announcement and legislation

Changes were announced in Jeremy Hunt's Spring 2024 Budget in relation to the taxation of UK non-doms, the abolition of the protected trust status and a consultation on potential changes to the inheritance tax (IHT) regime.

The Finance (No.2) Bill 2023/24 has been introduced and didn't contain any changes in relation to the above. It can therefore be assumed that it will be included in a future Finance Bill which may be pre or post the General Election.

## What is changing?

Traditionally, non-doms have enjoyed a tax perk: the remittance basis. This has meant they only pay UK tax on income brought into the country and any foreign income saved abroad remained untaxed by the UK.

However, this benefit is being phased out entirely from 6 April, 2025. From the 2025 tax year onwards, your residence status will dictate your tax liability. So, if you're considered a UK resident for tax purposes, all your income and gains, regardless of where they've been made (UK or foreign), will be subject to UK tax.

## What does this mean for non-doms?

Most non-doms can expect to pay more UK tax, especially those who previously relied heavily on the remittance basis. This could potentially lead to some high net worth individuals re-evaluating their decision to live in the UK.

## Is it a good move?

The jury's out. The Government believes it creates a fairer system and reduces complexity. However, many non-doms might find the UK a less attractive tax haven and we could see a reduction in international mobility. However, it's possible that other factors, like the UK's overall business environment and quality of life, could still provide a big enough draw for international residents. The full impact remains to be seen.

## A glimmer of hope (for some):

The new system isn't completely without compromises. A new Foreign Income and Gains (FIG) exemption is being introduced. This offers a four-year grace period where individuals won't pay UK tax on foreign income brought into the UK. However, there's a catch: this exemption only applies if you were a non-UK resident for tax purposes for the ten years preceding your UK residency.

## Next steps:

There's no escaping the fact that the UK's non-dom tax landscape is changing dramatically. If you or your client is a non-dom resident, or you're thinking about becoming one, seeking professional tax advice is crucial. This will help you navigate the new system and understand how it impacts your specific situation.

Please don't hesitate to get in touch today to consider what actions you should take now and pre the new tax year.