



Update on proposed new rules for UK resident “non-doms”
under the Labour government



Following on from the UK Spring Budget announcements made by the Conservatives back in March, a policy document (Changes to the taxation of non-UK domiciled individuals) has now been published by the new Labour government which clarifies that the majority of the original proposals are to be adopted, albeit with a few amendments.

It has been confirmed that the new rules will take effect from 6 April 2025 as originally planned. There will be no formal policy consultation, but some details of the proposals are to be considered further over the summer, in conjunction with feedback obtained from technical bodies and industry professionals. Further clarity should be provided in Labour’s first Budget, on 30 October 2024.

The key points contained in the policy document are as follows:

Measures affecting income tax and capital gains tax

- The remittance basis of taxation is to be abolished and UK non-doms will be taxed on their foreign income and gains (“FIG”) as they arise, unless they are new to the UK, in which case they will be able to benefit from a tax exemption regime lasting up to four years (providing they have been outside the UK for the previous ten consecutive tax years).
- Overseas Workday Relief (whereby earnings of new arrivals to the UK, can be divided between UK and foreign duties, with a special remittance basis applying to the foreign earnings) is to be retained, and further details of this relief will be confirmed on Budget Day.
- In terms of concessions, for those who have previously claimed the remittance basis of taxation, foreign assets will benefit from rebasing for capital gains purposes and the rebasing date will be confirmed on Budget Day.
- Also, the previously announced Temporary Repatriation Facility remains in place, whereby pre-6 April 2025 FIG (from a tax year for which the remittance basis was claimed) will be taxed at a reduced rate on remittance for a limited period of time. The tax rate and length of the concessionary period are to be confirmed in due course. It now appears that this concession will be extended to deemed income and gains from trusts (i.e. amounts matched to relevant income or trust gains).

- The previously announced concession whereby only 50% of foreign income would be subject to tax in the first year of the new rules, will not go ahead.
- As outlined in the original proposals, the protected trust regime will cease to apply and non-dom settlors will potentially be taxed on a “look-through” basis in respect of foreign income (and UK income, as currently), as well as trust gains (which are not currently taxed on non-dom settlors in most cases), unless the settlor can access the tax exemption regime for any year.
- Certain offshore anti-avoidance legislation (specifically including the Transfer of Assets Abroad provisions and Settlements Code rules under which income arising in offshore structures is attributed to the “transferor”/settlor) is to undergo a review for the purpose of modernising the rules and ensuring they are fit for purpose, with the aim of removing ambiguity and uncertainty in the legislation, simplifying the application of the rules and ensuring they are effective. Any changes that are made should not be implemented before 6 April 2026.

Measures affecting Inheritance tax

- As previously announced, the current domicile-based system of IHT for individuals and trusts will be replaced by a residence-based system.
- It has been confirmed that individuals will come into scope of IHT on worldwide assets after ten years of UK residence and will remain fully in scope for ten years after they leave the UK (the “ten-year tail”). Thereafter, only UK assets (and foreign assets deriving value from UK residential property) should be caught.
- The government has confirmed its intention to end the use of “excluded property trusts”, which currently shelter most foreign assets from IHT charges, and it is expected that the worldwide assets of a trust will come into scope of IHT once the settlor has been UK resident for ten tax years and will remain in scope for ten years if the settlor leaves the UK.
- The previously announced “window” for non-doms to settle assets ahead of the new rules taking effect appears to have been withdrawn, as previously mooted. The policy document refers, somewhat ambiguously, to allowing for “appropriate adjustment of existing trust arrangements” but it reiterates that all long-term UK residents are to be treated the same for IHT purposes. The exact form of any transitional concessions (possibly to enable a lower tax exit from trust structures that will come within the scope of IHT under the new rules) will no doubt follow in due course, possibly on Budget Day.

Whilst there is not much good news for non-doms, the policy paper does at least provide some further clarity over what lies ahead, with a clear timeline regarding further information and implementation. This should allow non-doms to consider their likely tax exposure based on their particular circumstances and decide whether they wish to take any action to mitigate their future exposure.

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Contact us

We would be happy to advise you on the impact of the new regime based on your specific circumstances and assist you in considering your options. Please contact us on:



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