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Budget 2024 - Temporary Repatriation Facility

In a bid to generate £12.7bn in revenue and to soften the blow sustained by the abolition of the remittance basis, the Budget introduced a temporary repatriation facility for non-domiciled individuals, allowing overseas income and gains to benefit from a reduced rate of tax for a three year period.

The temporary repatriation facility will be available to any individual in respect of "designated" funds, including previously unremitted foreign income or gains that arose in a tax year that was subject to the remittance basis. The "designated" funds (to include cash funds and assets) will be subject to tax in the TRF period at lower rates than would generally apply to remitted income and gains. There is no requirement for the funds to be remitted to the UK in the tax year of the claim or in any future tax year, but for the purpose of the remittance basis, designated amounts will be treated as if they have been remitted to the UK.

The TRF will apply where a claim is made on a self-assessment tax return for the 2025/26, 2026/27 or 2027/28 tax years. The final deadline for making any claim will be 31 January 2029.

For claims made in the 2025/26 and 2026/27 tax years, any designated funds will be taxable at 12%. Claims made in the 2027/28 tax year will be taxable at 15%. No double taxation relief will apply to funds which are subject to the TRF. Once designated, funds will not be subject to any further UK tax charges if remitted to the UK.

Funds which are not "designated" under the TRF will remain subject to the existing remittance basis rules if remitted to the UK (including amounts brought into the UK to pay the tax due under the TRF). However, payments made after 5 April 2025 in respect of the remittance basis charge for 2024/25 (the last year that it applies) or for any earlier year, may continue to be paid direct to HMRC without triggering a taxable remittance.

Taxpayers have full flexibility over the funds they wish to designate for the TRF charge, and this may include amounts of uncertain origin (e.g. "mixed funds"). There is no requirement to designate all unremitted FIG if the TRF is utilised and taxpayers may choose to only designate part of these funds. However, taxpayers are required to maintain records of any funds which have been designated and HMRC may request sight of these should they enquire into a taxpayer's return.

There is no requirement to identify the mix of funds subject to the designation (as would normally be case where funds are remitted to the UK) and thereby, for individuals who currently have "mixed funds" this could significantly simplify their UK tax reporting. Any designated amounts will be treated as having been remitted to the UK in priority to any other funds in a mixed account.

Business Investment Relief "BIR"

Remittance basis taxpayers who have historically benefitted from BIR (where funds may be remitted to the UK to invest in certain UK businesses without giving rise to a taxable remittance) will continue to benefit from this relief until a chargeable event occurs such as a disposal of the shares (unless the proceeds are removed from the UK), or any breach of the BIR conditions.

BIR will continue to be available until the end of the TRF period (6 April 2028) for new investments (or reinvestments) into the UK.

Taxpayers may choose to designate BIR investments during the TRF period and they would then cease to be within the scope of the remittance basis rules on a future chargeable event.

Trusts

UK resident settlors of non-resident settlor-interest trusts who are taxable on trust income or gains on a look-through basis can designate trust funds during the TRF period.

UK resident beneficiaries of a non-UK resident trust can designate capital distributions or benefits received, but only to the extent these have been matched to foreign income or any gains in the trust structure which arose prior to 6 April 2025. The TRF will not apply to income distributions made after 5 April 2025 (but unremitted income distributions of earlier years may be designated).

The onward gift rules have historically applied where a taxpayer receives a distribution from an offshore trust which is not subject to tax on them personally due to the remittance basis (or non-residence) and a "gift" is subsequently made to a UK resident individual who is treated as if they had received the distribution directly. However, if the original recipient of the gift designates the trust funds during the TRF period, the onward gift rules will not apply.

Temporary non-residence ("TNR") rules

FIG arising in a period of temporary non-residence cannot benefit from the TRF in the year of return. However, returning individuals can designate amounts that arose prior to them leaving the UK.

4-year FIG regime

Individuals who are within the 4-year FIG period for income and gains may make a claim under the TRF for any income or gains previously subject to the remittance basis but will be subject to the TRF charge at 12% or 15% depending on the year of claim. The 4-year FIG period does not override these provisions such that the charge would not arise on this foreign income and gains.

Ongoing remittances

Although the ability to claim the remittance basis will come to an end on 5 April 2025, any amounts of FIG that remain unremitted and are not designated under the TRF during the period to 5 April 2028, will continue to be taxable under the current remittance basis rules at the tax rates prevailing at the time of the remittance. There are however to be some amendments to the existing remittance basis provisions to make certain aspects clearer.

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