

The UK Autumn Budget 2024: Key Tax Changes and Implications for Non-Doms

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By **Paul Webb**, 30th October 2024

On 30 October 2024, Chancellor of the Exchequer, Rachel Reeves, delivered the Autumn Budget, confirming a number of changes originally outlined in the Spring Budget.

As expected, from 6 April 2025, the existing non-dom regime will end and the concept of domicile will be replaced by a system based on tax residence.

Currently, individuals who are UK resident but not domiciled in the UK can benefit from the remittance basis for their first 15 years of UK residence. This means they do not pay UK tax on non-UK income and gains unless remitted to the UK. Under the new system, individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first 4 years of tax residence, provided they have been non-tax resident for the last 10 years.

Who is Eligible for New Regime?

Individuals will qualify for the new regime if they have been non-UK tax resident for at least 10 consecutive tax years, regardless of their domicile status. The new regime will apply for their first 4 tax years of UK residence, so this will apply to returning UK domiciliaries.

Key Announcements

Individuals will not pay tax on foreign income and gains (FIG) arising in the first 4 years after becoming UK tax resident, where a claim is made. They will be able to bring these

funds to the UK free from any additional charges and there will be no need to segregate or trace funds during this period. They will continue to pay tax on UK income and gains, as is the case for non-domiciled individuals now.

Individuals who on 6 April 2025 have been tax resident in the UK for less than 4 out of the previous 10 will be able to use the new regime for any tax year of UK residence in the remainder of those 4 years. For example, an individual who became resident in the UK in 2022/23, after a 10 year period of non-residence, will have been resident in the UK for up to 3 tax years on 6 April 2025. They will be able to claim under the new 4 year FIG regime for 2025/26 because this is their fourth year following a period of 10 years non-UK tax residence.

Transitional Provisions

As the new regime will represent a significant change for existing Resident Non-Domiciled individuals, there are a number of transitional arrangements that will be available as follows:

- Individuals who have previously claimed the remittance basis of taxation and are neither UK domiciled nor deemed domiciled by 6 April 2025, will be able to elect to rebase assets held personally to their value at 5 April 2017, so they will only be taxed on capital gains since that date. This is in respect of disposals which take place on or after 6 April 2025.

- Individuals who have previously been taxed on the remittance basis will be able to elect to remit foreign income and gains that arose before 6 April 2025 to the UK at a reduced rate of 12%. This is a new Temporary Repatriation Facility that will only be available for the tax years 2025/26 and 2026/27, with the rate rising to 15% in the tax year 2027/28. This facility will not apply to foreign income and gains generated within trusts and trust structures.

Taxation of Assets Held in Trust

From 6 April 2025, the protection from taxation on future income and gains that arise within Trust structures (wherever established) will be removed for all current non-domiciled and deemed domiciled individuals who do not qualify for the new 4 year FIG regime.

Under the new regime, for as long as an individual qualifies for the new 4 year regime, they will not pay UK tax on the income and gains of the trust as they arise or on receipt of trust distributions.

Once the individual is no longer eligible for the new 4 year FIG regime, they will be required to pay UK tax on all profits arising within a Trust structure which they have established.

Inheritance Tax (IHT)

The freeze on inheritance tax thresholds will be extended for a further two years, until 2030. This means that the first £325,000 of any estate can be inherited tax-free, rising to £500,000 if the estate includes a residence that has been passed to direct descendants, and £1 million when a tax-free allowance is passed to a surviving spouse or civil partner.

Individuals who have been resident in the UK for 10 of the previous 20 years will be subject to UK inheritance tax on their worldwide assets.

If an individual has been resident in the UK for at least 10 out of the 20 years and then becomes non-resident and does not return to the UK before the chargeable event, there will be provisions to shorten the length of time they are deemed to remain a long-term resident.

- For those who are resident between 10 and 13 years, they will remain in scope for 3 tax years.
- This will then increase by one tax year for each additional year of residence. So, if a person was resident for 15 out of 20 tax years on leaving, they would remain in scope for 5 years; if resident for 17 out of 20 tax years on leaving, they would remain in scope for 7 tax years.
- An individual will not be treated as long-term resident for IHT purposes in the year following 10 consecutive years of non-residence, even if they return to the UK, and the test is effectively reset.

HMRC has said there will be no changes to the IHT treaties or how these operate.

The announcements in the Autumn 2024 Budget represent the biggest change to the way in which non-UK domiciled individuals are taxed in the UK. This is an area which is likely to continue to develop and further details will emerge in the coming months which will hopefully allow individuals time to prepare for the new regime well in advance of its implementation date of 6 April 2025. If you would like to speak to our advisers regarding any of the changes, please contact: advice.uk@dixcart.com.