

Understanding the UK's New Foreign Income and Gains Rules

This article explores the benefits of the UK'S new Foreign Income and Gains (FIG) regime for recent arrivals in the UK.

By **Paul Webb**, 11th March 2025

From 6 April 2025, the UK implemented significant changes to the taxation of non-UK domiciled individuals. The remittance basis of taxation, which was based on domicile status, has been removed and replaced with a new tax regime based solely on tax residence under the [UK's Statutory Residence Test](#).

This article explores the benefits of the new Foreign Income and Gains (FIG) regime for recent arrivals in the UK, whether originally from the UK or not.

The 4-Year Foreign Income and Gains (FIG) Regime:

From 6 April 2025, the new regime will provide 100% exemption from UK taxation on foreign income and gains for new arrivals to the UK in their first four years of tax residence, provided they have not been UK tax resident in any of the ten consecutive years prior to their arrival.

Individuals who were UK residents as of 6 April 2025 will be able to benefit from the four-year FIG regime for the remainder of their initial four years of residence, provided they had ten consecutive tax years of non-UK residence before arriving and are still within their first four years of UK tax residence in 2025/26. They will also have an opportunity to benefit from some transitional provisions available for previously earned income and gains, as well as accrued historical gains.

Importantly, an individual who was a UK tax resident for only part of the four year period will not be able to extend their exemption period by carrying forward any "unused" years to future tax years.

Individuals who qualify for and claim the FIG regime will not pay tax on foreign income and gains arising in the first four tax years after becoming UK tax resident and will be able to bring these funds to the UK free from any additional charges.

This offers a significant advantage over the existing remittance basis regime, which while generally exempting tax on foreign income and gains, does charge such income and gains to UK tax if remitted to the UK. There is also no fee for accessing the scheme as was the case for the remittance basis and for certain other countries which have similar remittance basis schemes.

As before, individuals will have to register with HMRC to make a claim for the FIG regime and will need to apply by completing a UK tax return. The return will not only include details of the claim but also the amount of foreign income and gains for which exemption is being claimed. Crucially, if any foreign income and gains are not disclosed on a UK tax return, they will be taxable in full on an arising basis.

Once an individual no longer qualifies for the FIG regime they will be fully taxable on their worldwide income or gains as they arise.

Inheritance Tax Changes:

The current domicile-based system of Inheritance Tax will be replaced with a new residence-based system.

An individual who has been resident in the UK for at least ten out of the last twenty tax years will become subject to UK Inheritance Tax (IHT) on their worldwide assets and will remain in the scope of UK IHT for between three and ten years after leaving the UK. However, the government has committed to applying the Estate Tax treaties that the UK already has in place.

Conclusion

The new Foreign Income and Gains rules represent a major shift in the UK's approach to taxing non-UK domiciled individuals. By moving to a residence-based system, there will be winners and losers, but for the first four years at least, the UK will offer an extremely generous tax position which could offer new residents some interesting tax planning opportunities, particularly those with significant income or gains generating events, such as a business exit or large dividend being planned.

For more information on the UK's New Foreign Income and Gains Rules or to speak to one of our experts, please use our [enquiry form](#) or email us at advice.uk@dixcart.com.