

NON-DOM TAXATION - THE CHANCELLOR'S STATEMENT

Rachel Reeves, as the new Chancellor of the Exchequer, made a statement to Parliament on 29 July 2024, confirming that previously announced changes to the taxation of non-UK domiciled individuals (the 'non-dom regime') will proceed from 6 April 2025, with some modifications. The date of the next Budget was also set for 30 October 2024.

The changes to the non-dom regime were proposed in the 6 March 2024 Budget presented by the Conservative administration. Our briefing on that Budget can be found [here](#).

Inheritance Tax

As part of the removal of domicile as a factor of the tax system, the March 2024 Budget announced, subject to consultation, the change to a residence-based regime for inheritance tax (IHT). The Government intends to proceed with these changes from 6 April 2025, including a 10 year 'tail' for individuals leaving the UK.

The Government is currently envisaging IHT will be charged when a person has been UK resident for 10 years, with a corresponding tail to keep such individuals within the scope of IHT for 10 years after they leave, however, further engagement with stakeholders and refinement is planned.

The statement confirmed that the use of excluded property trusts, created by foreign domiciled individuals to keep assets out of the scope of IHT, will be ended. However, transitional measures for existing trusts and settlors will be considered and explained at the next Budget.

There will not now be a consultation on the IHT changes, but external engagement on the policy design over the Summer is promised.

Income Tax and Capital Gains Tax

The four year exemption from tax on foreign income and gains (FIG) for new UK residents from 6 April 2025 will remain; these individuals must not have been UK resident in any of the 10 years prior to arrival.

As previously announced, from 6 April 2025 the offshore trust protections will be removed. Income and gains arising in offshore trusts will be taxed on UK resident settlors who have an interest in the trust, if they do not qualify for the four year FIG regime.

There are some significant changes to the March 2024 proposals. The proposed 50% reduction in 2025/26 taxable income for individuals losing access to the remittance basis will not now be implemented. Capital gains tax (CGT) rebasing for previous remittance basis users will be available, but not necessarily as at the 5 April 2019 date originally announced. The effective rebasing date will be announced at the Budget.

The March Budget outlined a temporary repatriation facility (TRF) under which foreign income and gains

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arising before 6 April 2025 could be remitted in the two years to 5 April 2027, and taxed at a reduced rate of 12%. The Government now says that the rate and length of time that the TRF will be available will be set to make its use as attractive as possible. Helpfully, the Government is exploring ways to extend the scope of the TRF to income and gains arising in trust structures, which was not part of the original proposal.

A review of offshore anti-avoidance legislation will be undertaken, including the rules relating to the transfer of assets abroad and settlements. These result in income and gains of offshore trusts and companies being taxed on the individuals who created or funded them, subject to certain exemptions. It is not expected that the review will result in any changes before 6 April 2026 but, as noted, the trust protections for offshore settlements will be removed from 6 April 2025.

Future Tax Increases

Increases in income tax, corporation tax and VAT have been ruled out, leading to speculation that CGT and IHT will be targets. Following the Chancellor's statement, the Government has issued a call for evidence on the tax treatment of carried interest. Currently, fund investment managers can receive remuneration, as carried interest, which is taxed at a 28% CGT rate, rather than income tax at up to 45%.

Details of changes to IHT, including any reductions in allowances or reliefs, are expected to be announced in the Budget on 30 October.

Please get in touch with your usual Rawlinson & Hunter contact should you wish to discuss any aspect of this note, or if you require further information.

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