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Foreign Income & Gains regime

The remittance basis rules which allowed non-UK domiciled individuals (often referred to simply as non-doms) to be taxed only on UK income and gains, have been abolished. Since 6 April 2025, the concept of domicile as a relevant connecting factor in the UK tax system has been replaced by a new tax residence-based regime known as the Foreign Income and Gains (FIG) regime.

The new rules require almost all UK resident taxpayers to report their foreign income and gains to HMRC, even if they hadn't done so before. This obligation applies even when claiming relief under the new regime.

Since 6 April 2025, all former remittance basis users who are not eligible for the 4-year FIG regime will pay tax at the same rate as other UK resident individuals on any newly arising FIG like any other taxpayer. Former remittance basis users will continue to pay tax on FIG that arose before 6 April 2025 that they remit to the UK.

4-year FIG regime

New arrivals to the UK who opt into the regime will benefit from 100% relief on FIG 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.

A claim for the 4-year FIG regime will be treated as a claim to relief for tax purposes and will need to be made in a Self-Assessment tax return. A claim needs to be made before 31 January in the second tax year after the relevant year to which the claim relates. For example, a claim for the 4-year FIG regime for the 2025-26 tax year will need to be made on or before 31 January 2028.

To claim the 4-year FIG regime, individuals will need to quantify the amount of income and gains for which relief is being claimed under the regime. If amounts of FIG are not quantified and included in the return, then individuals will remain chargeable and subject to tax at their usual rates.

Individuals will not need to make a claim for every year of the 4-year period. For example, an individual who makes a claim in year 1 but chooses not to make a claim for year 2, can still make a claim for years 3 and 4.

This regime only applies to those have not been UK tax resident in the 10 tax years immediately prior to their arrival. This includes UK nationals and UK domiciled individuals who may not have previously had access to, or used, the remittance basis. An individual's ability to qualify for the 4-year FIG regime will be determined by whether they are UK resident under the Statutory Residence Test (SRT). Treaty residence elsewhere under a Double Taxation Agreement (DTA) tie-breaker will not be relevant for the purpose of determining eligibility.

Types of foreign income and gains covered by FIG

The types of foreign income that will be relieved from tax as part of the 4-year FIG regime are similar to those that were taxed using the remittance basis of taxation that previously applied:

The FIG regime offers relief on a wide range of foreign income and gains, but some types are excluded—so careful assessment is essential to determine what qualifies.

Capital Gains Tax rebasing

For individuals who are unable to use or choose not to make a claim under the 4-year FIG regime, Capital Gains Tax (CGT) on foreign gains will be applied in the usual manner.

These conditions include:

- The individual must not have been UK domiciled or deemed UK domiciled at any time before the 2025–26 tax year.
- They must have made a remittance basis claim for any one of the tax years 2017–18 to 2024–25.
- They must hold the relevant asset on 5 April 2017 and dispose of it on or after 6 April 2025.

Temporary Repatriation Facility (TRF)

A new Temporary Repatriation Facility (TRF) for individuals who have been taxed on the remittance basis has also been introduced from April 2025 for 3 years. This facility allows individuals to designate and remit at a reduced rate foreign income and gains that arose prior to the changes. The TRF rate is 12% for the first two years (2025–26 and 2026–27) and 15% in the final tax year (2027–28) of operation. This facility will be extended to distributions from qualifying overseas trust structures.

Business Investment Relief

From 6 April 2028, following the end of the Temporary Repatriation Facility (TRF) period, no new investments or reinvestments will qualify for Business Investment Relief (BIR).

Overseas Workday Relief

Overseas Workday Relief (OWR) has been extended to a four-year period to align with the new four-year FIG regime. Eligible individuals can claim OWR for up to four consecutive tax years, provided they meet the residency criteria. This applies regardless of whether these earnings are brought to the UK or whether they are paid into an overseas account. A claim for relief under OWR can only be made if an employee makes an OWR election for a qualifying year.

Statutory Residence Test

The Statutory Residence Test (SRT) in the UK continues to apply after the changes to the taxation of non-domiciled individuals in April 2025. The SRT determines whether an individual is considered a UK resident for tax purposes, and it will continue to be used to assess residency status for tax purposes.

The rules consist of separate tests which are intended to provide greater certainty as to a taxpayer's residency status including:

- Automatic Non-Residence Test: Determines if an individual is automatically non-resident.
- Automatic Residence Test: Determines if an individual is automatically resident.
- Sufficient Ties Test: Assesses the number of connections an individual has with the UK.
- The SRT also looks at the number of days an individual spends in the UK but with a number of different tests associated with them.
- The SRT can help in determining residency and the tax liabilities of non-domiciled individuals, particularly in relation to their foreign income, gains, and the application of the FIG regime.

What are tax treaties?

Tax treaties are invoked to deal with the situation where the same income or taxable gains may be taxable in more than one country.
This is generally described by the expression "double taxation".
Double tax agreements aim to regularise this position, so the taxpayer can claim tax credits against liability in a second jurisdiction, based on tax paid in another tax jurisdiction.

Inheritance tax

UK assets will remain in scope for Inheritance Tax (IHT) on the same basis as at present, regardless of residence.

From 6 April 2025, the test for whether non-UK assets are in scope for IHT will be whether an individual has been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event (including death) arises.

Changes have also been introduced to how individuals continue to fall within the scope of IHT after becoming non-UK residents. These adjustments could have significant consequences for long-term estate and succession planning.

Summary

- Since April 2025, the UK has replaced the remittance basis with a new tax regime (FIG), taxing most UK residents on worldwide income and gains.
- New UK residents may claim 4 years of tax relief on foreign income and gains, but others will be taxed similarly to long-term UK residents.
- Transitional measures like CGT rebasing, the Temporary Repatriation Facility, and Overseas Workday Relief offer limited-time tax planning opportunities.
- Existing and former non-doms will need to take advice to understand the transitional reliefs available to them and whether CGT rebasing, OWR or the TRF may apply.