Broadcast

FACTSHEET: NON-DOMS CHANGE OF TAX STATUS

SPECIAL ISSUE

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Starting in April 2025, the UK government will replace the current domicile-based tax system with a new residence-based regime. This change will fundamentally alter how non-domiciled individuals (non-doms) are taxed, focusing on their residency status rather than their domicile.

This shift is aimed at bringing more non-doms into the UK tax system, ensuring that individuals who live in the UK contribute more equitably to the nation's finances.

Global income and gains

Under the new rules, any individual considered a UK resident will be taxed on their worldwide income and gains, irrespective of their domicile status. This change is expected to significantly increase the number of non-doms who are liable to pay UK taxes. By taxing global income and gains, the government intends to create a more level playing field where all residents, regardless of their domicile, are subject to the same tax obligations.

New UK arrivals will have a four-year exemption from UK tax on foreign income and gains, providing they have not been UK tax resident in any of the 10 consecutive years prior to their arrival.

Inheritance Tax and Overseas Workday Relief

Labour plans to shift inheritance tax (IHT) to a residence-based system starting in April 2025.

The government envisages that the basic test for whether non-UK assets are in scope for IHT from 6 April 2025 will be whether a person has been resident in the UK for 10 years prior to the tax year in which the chargeable event (including death) arises, with provision to keep a person in scope for 10 years after leaving the UK.

The government will engage further with stakeholders on the operation of the new test, so that any refinements can be fully considered.

The government will end the use of Excluded Property Trusts to keep assets out of the scope of IHT. The government intends to change the way IHT is charged on non-UK assets which are held in such trusts, so that everyone who is in scope of UK IHT pays their taxes here. The government recognises that trusts will already have been established and structured to reflect the current rules, so is considering how these changes can be introduced in a manner that allows for appropriate adjustment of existing trust arrangements, while ensuring that the treatment of all long-term residents of the UK is the same for IHT purposes.

The adjustments to OWR will focus on maintaining the UK's appeal to international professionals while integrating the relief into the new tax framework.

Like to consider your planning options?
These changes are part of a broader effort to ensure that wealthier individuals pay a fair share of taxes, particularly at a time when the UK is seeking to increase tax revenues. The new rules are expected to be further detailed in future government announcements and are likely to undergo consultation before full implementation.

Expect further changes to be announced as the Treasury integrates the results of its consultation.

More detailed explanations of these changes will be laid out in the 30 October budget.

We can help
Please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.