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Private Wealth

## PROPOSED CHANGES TO THE “NON-DOM” REGIME

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## COMPARISON OF POTENTIAL CHANGES TO THE “NON-DOM” REGIME

On 6 March 2024, the UK Government announced sweeping changes to the UK taxation of so-called “non-doms”, including the abolition of the remittance basis of taxation, the introduction of a new residence-based regime for income tax/capital gains tax and reform to the inheritance tax rules (with domicile ceasing to be a relevant factor in all cases). Further details were provided in a policy paper (which can be found [here](#)). These announcements are widely seen as an attempt to take the wind out of the Labour Party’s sails, given their longstanding commitment to abolish the remittance basis.

The Labour Party has now provided its response to the Government’s proposals. It has said that “whilst Labour supports most aspects of the proposed replacement to the non-dom rules, including the four-year arrival window, the principle of a ten-year window for inheritance tax, we are concerned that major loopholes remain”.

The purpose of this note is to provide a brief summary of the Government’s proposals, as contained in the policy paper, and the Labour Party’s response. In both cases, there is very little detail, and we must wait for draft legislation (whether before or after the forthcoming general election) before we can fully understand how any new regime will operate.

Personally held assets	Government Policy Paper	Labour Party response
Income tax and capital gains tax	<p>The remittance basis will be abolished from 6 April 2025 and replaced with a new residence-based regime:</p> <p>Individuals who have not been UK tax resident for the preceding 10 years (<b>New Arrivers</b>), regardless of domicile, will not pay income tax and capital gains tax on their <i>foreign</i> income and capital gains (<b>FIGs</b>) for <b>four years</b>, (irrespective of whether the FIGs are remitted) where a claim is made. UK income and gains on UK situs assets will be fully taxable.</p> <p>There will be no charge for the regime.</p>	<p>The four-year exemption for FIGs is seemingly supported. Labour have also confirmed that they will consider whether UK investment income should also be exempt from UK tax so that UK investments are not “disincentivised versus investment elsewhere in the world”.</p>
	<p>After four years of UK tax residence, New Arrivers will be liable to income tax and capital gains tax on their worldwide income and gains (in the same way as UK resident and domiciled individuals, in the sense that term is currently understood).</p>	<p>Seemingly supported.</p>

<b>Personally held assets</b>	<b>Government Policy Paper</b>	<b>Labour Party response</b>
Special reduction in income tax	In 2025/2026, only 50% of the foreign income of individuals “who move from the remittance basis to the arising basis” will be subject to income tax.	Rejected as a “loophole”.
Temporary Repatriation Facility	Existing FIGs taxed on the remittance basis before 6 April 2025 will remain taxable if remitted, subject to a window of opportunity in 2025/2026 and 2026/2027 to remit such FIGs at a 12% rate of tax.	Labour have said that they will “explore ways to encourage people to remit stockpiled FIG[s] to the UK, so that we can end the legacy of the current non-dom rules”, implying that a more generous policy may be considered.
Capital gains tax rebasing	Individuals who have claimed the remittance basis in the past and have not become deemed domiciled in 2024/25 will have an option to rebase the value of personally held capital assets to the value on 5 April 2019 (subject to further conditions).	Seemingly supported.
Inheritance tax	Domicile will be abolished as the connecting factor for inheritance tax. The Government intends to consult on a proposal to move to a residence-based regime, including a 10-year exemption period for New Arrivers and a 10-year “tail” for those who become non-UK tax resident.	Seemingly supported.
<b>Trusts</b>	<b>Government Policy Paper</b>	<b>Labour Party response</b>
Income tax and capital gains tax	The existing rules for “protected settlements” will be abolished from 6 April 2025 for all settlors who do not qualify as a New Arriver.  As a result, FIGs arising in a trust (whenever established) will (generally) be taxed on a UK tax resident settlor after the first four years of tax residence.	Seemingly supported.
Inheritance tax – trusts settled by non-UK domiciliaries/deemed domiciliaries before 6 April 2025	Non-UK assets held in trusts settled by non-UK domiciliaries/deemed domiciliaries before 6 April 2025 will be excluded from inheritance tax on a permanent basis.	Labour rejects this as a “loophole” and proposes that all foreign assets held in trust will be subject to inheritance tax whenever the trust was settled.

Trusts	Government Policy Paper	Labour Party response
Inheritance tax – From April 2025	Inheritance tax on non-UK assets comprised in a settlement will depend upon the settlor’s UK tax residence status (the 10-year period of residence or 10-year tail) at the time the assets are settled and/or on the occurrence of a taxable event (10-year charges, exit charges and possibly also the death of the settlor). This suggests that the status of the trust might change with the residence status of the settlor, rather than being fixed at the time the trust was settled.	Seemingly supported.

These notes do not contain or constitute legal advice, and no reliance should be placed on them. If you have any questions, please do not hesitate to speak to your usual contact at Maurice Turnor Gardner LLP.