



# Changes to **Tax Rules** Relating to Domicile

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This note contains an outline of UK tax law and proposed changes to it. You should not treat it as legal or tax advice or rely upon it when making decisions. Laws relating to residence, domicile and tax are complex and you should seek professional advice as to their effect.

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## Introduction

On 6 March 2024, the UK government announced an overhaul of UK taxation relating to non-domiciled individuals (non-doms). The changes are intended to have effect from 6 April 2025.

At present we have only a policy paper, not the draft legislation itself, but this note is based on what we know so far. We may update this note as we obtain more information or as the policy itself changes.

## Will these new rules definitely have effect?

The changes to the non-dom regime have been proposed by a Conservative Party government. There must be a general election before 6 April 2025 and it is widely predicted (but not certain) that the Labour Party will win that election. The Labour Party have previously said that they would abolish the non-dom tax regime, although not provided details of how they would do so.

In short, whoever wins the general election, it is overwhelmingly likely that there will be significant changes to how non-doms are taxed. To us, it seems more likely than not that even if we have a change of party in government by 6 April 2025, the new tax regime will be similar to that which is described in this note. The main difference may be in timing – depending upon when the election is, a Labour Party win may result in a postponement for a year or more if they wish to alter the proposed new regime.

There will also undoubtedly be lobbying for some aspects of the proposed regime to be modified and this may have an effect on the legislation that is finally passed.

## Who might be affected by the new rules?

- Anyone who is UK resident and has used the remittance basis of taxation;
- Anyone who is UK domiciled of origin but has been or is likely to be non-UK resident for more than 10 years;
- Non-doms who are temporarily non-UK resident;
- Anyone who was once resident in the UK for more than 10 years but has since left;
- Anyone who is deemed domiciled in the UK;
- The settlor and trustees of non-UK resident trusts where the trust has a UK settlor or UK resident beneficiaries; and
- The directors of non-UK close companies with UK resident shareholders.

## What to do now?

Although the new rules will only have effect from 6 April 2025, planning for them may require actions (for example trust distributions) to take place before then and we recommend that anyone who could be affected by the rules to take initial advice as to their possible position now. In particular, those who may wish to:

- Leave the UK before the new rules are implemented;
- Set up excluded property trusts before 5 April 2025;
- Take advantage of the tax reliefs;

will need significant preparation time, even if implementation of their planning is postponed until details of the new regime are clear and confirmed.

## What are the current tax rules for non-doms?

The present rates of UK personal taxes are:

<b>Income tax</b>	0-40% on taxable income up to £125,000 45% on taxable income over £125,000
<b>Capital gains tax</b>	28% on carry/residential property gains (due to decrease to 24% from 6 April 2024) 20% on other taxable capital gains
<b>Inheritance tax</b>	40% on estate on death 0%-20% on certain transactions relating to trusts

Individuals who are UK resident are subject to UK income tax and capital gains tax (CGT). However, tax is applied differently depending upon whether or not they are UK domiciled.

UK domiciled individuals are taxed on the ‘**arising basis**’, meaning that their worldwide income and capital gains are subject to UK tax.

UK resident non-doms may instead choose to be taxed on the ‘**remittance basis**’, meaning that their UK income and capital gains are taxed, but their foreign income and foreign capital gains are not taxed in the UK unless and until they are remitted (brought to) to the UK.

In order to take advantage of this, it is common planning for non-doms to claim the remittance basis and to set aside a pot of money (**clean capital**) that does not include any income or capital gains that have arisen to them since they became UK resident. They can bring the clean capital to the UK tax-free and use it to fund their UK life, while leaving their foreign income and capital gains overseas where they are not taxed.



In respect of UK inheritance tax, the worldwide estates of UK domiciled individuals are subject to inheritance tax, as are any trusts they create. Foreign assets of non-UK domiciled individuals are not subject to inheritance tax and foreign assets in trusts that were funded by non-domiciled individuals are fully outside inheritance tax: they are '**excluded property**'.

Finally, there are **anti-avoidance provisions** (the settlor-interested trust code, the transfer of assets abroad rules and sections 86 and 87 TCGA 1992) under which foreign income and capital gains that are made by a non-UK resident trust or company are treated as if they are made by the individual who funded the trust or company. Those rules are disapplied where the individual is not UK domiciled as a result of specific limitations in capital gains tax law and the Protected Foreign Source Income rules (**the PFSI rules**).

## What are the new rules?

### Income and capital gains tax for individuals – the FIG regime

The remittance basis will be abolished in respect of income and capital gains arising after 6 April 2025. It will be replaced by a new regime, the Foreign Income and Gains regime (**the FIG regime**).

All individuals who are UK resident will be taxed on the arising basis on their post-5 April 2025 income and capital gains unless:

- They are in their first four years of UK tax residence after having been non-UK resident for at least 10 years; and
- They elect to use the FIG regime for the tax year in which the income and gains arise.

Unlike the current deemed domicile regime, the four years is not cumulative, so if a person is resident in 2025/2026, is non-resident for the following three years and becomes UK resident again in 2029/2030, he or she will not be able to use the FIG regime in 2029/2030. Split years will count as years in the UK when calculating whether an individual qualifies to use the FIG regime.

*INDIVIDUALS WHO HAVE BEEN UK RESIDENT BETWEEN 2015/2016 AND 2021/2022 (INCLUSIVE) WILL THEREFORE BE TAXED ON THE ARISING BASIS ON THEIR WORLDWIDE INCOME AND CAPITAL GAINS AFTER 5 APRIL 2025 IF THEY REMAIN UK TAX RESIDENT.*

*HOWEVER, INDIVIDUALS WHO ARE UK DOMICILED BUT HAVE BEEN NON-UK RESIDENT FOR AT LEAST 10 FULL TAX YEARS BY 6 APRIL 2025 SHOULD BE ABLE TO USE THE FIG REGIME IF THEY HAVE RETURNED TO THE UK AND ARE BELOW THE FOUR YEAR THRESHOLD.*

If an individual can and does elect for the FIG regime, during their first four years of UK residence, they will:

- Pay UK tax on their UK income and capital gains;
  - Will not pay any UK tax on foreign income and gains arising to them, whether or not they bring the foreign income and gains to the UK; but
  - Lose their entitlement to personal allowances and the capital gains tax annual exempt amount.
- The same rule presently applies to remittance basis users.

In respect of income and capital gains that arose before 6 April 2025 to individuals who claimed the remittance basis of taxation, the remittance basis will continue to apply.

The four years include years before 2025. It is therefore likely that there will be many individuals who will find that, although they are able to claim the remittance basis now, after 6 April 2025 they will be taxed on the arising basis. They will however still be able to use the remittance basis in respect of income and capital gains that they made before that date.

### **Inheritance tax**

There will be a change to a residency based system for inheritance tax from 6 April 2025. It is envisaged that under the new rules, once a person has been resident in the UK for 10 years, their worldwide assets will be subject to inheritance tax. Once they have passed the 10 year mark, if they leave the UK inheritance tax can continue to apply to them for 10 years (**the tail**).

The current inheritance tax treatment of excluded property trusts will continue for any non-UK property that is settled by a non-UK domiciled settlor and becomes comprised in a settlement before 6 April 2025. In other words, such property will remain outside the scope of inheritance tax while it is in the trust.

As to trusts that are settled from 6 April 2025, the position is not clear – the policy documents state only that “it is envisaged that the new rules ... will depend upon whether a settlor meets the residence criteria or is within the tail provision at the time the assets are settled and/or when charges such as 10-year anniversary charges or exit charge arises”.

## Softening the blow for those already in the UK – tax relief measures

The new rules will include some measures that will be available for a limited period to those who are already UK resident. In summary, they are:

- Individuals who have used the remittance basis but will not qualify for the FIG regime in 2025/2026 will pay tax on only 50% of their foreign income in 2025/2026. Their foreign capital gains that year will be fully subject to UK tax. It is not clear whether 50% of total taxable income will simply be discounted or whether another method of calculation will be used and whether it will be necessary for an individual to claim the remittance basis for the tax year 2024/2025 to obtain this relief;
- A Temporary Repatriation Facility (TRF). Where an individual previously used the remittance basis and has unremitted pre-April 2025 income and capital gains, they can remit them to the UK at a tax rate of 12% if the remittances take place in the tax years 2025/2026 and 2026/2027 and the individual is UK resident when they are remitted;
- Rebasing. Individuals who have claimed the remittance basis but will not qualify for the FIG regime will be able to calculate capital gains on the disposal of foreign assets after 5 April 2025 on the basis that they were acquired at their value at 5 April 2019. There will apparently be conditions on this but we have not yet been told what they are.

## Non-UK trusts

The anti-avoidance provisions described above, the settlor-interested trust code, the transfer of assets abroad rules and sections 86 and 87 TCGA 1992, will continue to exist after 5 April 2025. However, the rules that effectively prevented them from applying to non-doms will be changed.

In respect of UK resident settlors of foreign trusts (whether settled before or after 5 April 2025), this means that where the settlor may be able to benefit from the trust structure:

- If they do not or cannot use the FIG regime, income and capital gains that the trust makes after 5 April 2025 will be treated as the settlor's. The settlor will be taxable on them in the UK;
- It is not entirely clear how settlors who can use the FIG regime will be taxed. However, it seems likely that the income and gains of the trust after 5 April 2025 will be treated as theirs, but they will be able to use the FIG regime so they will not pay any tax on such attributed foreign income and gains, whether or not it is remitted to the UK.

In respect of foreign income and capital gains that the foreign trust made before 6 April 2025, the current rules will continue to apply. This means that if a UK resident settlor or other beneficiary receives a benefit from the trust after 5 April 2025:

- They may be treated as if they are receiving foreign income or capital gains (depending how much relevant income or trust capital gains there are);
- If they are using the FIG regime, they will not pay tax on the income or capital gains and can bring them to the UK tax-free but if they cannot claim the FIG regime, they will be subject to UK tax on them.



There are two main areas of uncertainty in relation to income tax, capital gains tax and trusts:

- It is not explicitly stated that income and gains of trusts that were attributed to beneficiaries before 6 April 2026 and on which they claimed the remittance basis will qualify for the TRF. The TRF is presently described as applying only to “FIG [that] arose personally” and it is not clear whether this precludes the TRF from applying to income and gains that first arose in a trust and was later attributed to a person;
- It is not entirely clear how the new and old rules will interact. For example, if a settlor receives a benefit from the trust and they have paid income tax on the trust’s post April 2025 income, will the benefit be assumed to come from, or be matched, with that income, so they have no more tax to pay?

### **Business investment relief (BIR)**

This is a relief from tax for remittances of money or assets to the UK that is used in a trading business. BIR will continue to apply to investments made before 6 April 2025.

BIR will also be available to individuals who claimed the remittance basis before 6 April 2025 and have unremitted income and capital gains.

### **Overseas workday relief (OWR)**

OWR will continue to be available for individuals who can and do use the FIG regime.

## **What does this mean in practice?**

We have described below some common scenarios and how the new rules may apply. The scenarios are simplified versions of reality so should not be taken as the final word on the tax position in practice.

In this section ‘**former long-term non-resident**’ means someone who did not live in the UK for more than 10 full tax years before becoming UK resident.

## **Case 1: Dr X - UK domiciled individual who was once UK resident and is thinking of moving to the UK to live again**

### **Current position**

As a UK domiciled person, if Dr X became UK resident, his worldwide income and capital would be subject to UK tax. His worldwide estate would also be subject to UK inheritance tax.

### **How would he be taxed under the proposed changes?**

If Dr X has been non-UK tax resident for at least 10 full tax years before he returns to the UK:

- He can use the FIG regime for his first four years of UK residence. If he does so, he will not pay any UK tax on his foreign income and capital gains arising in the four years;
- He will pay UK income tax and capital gains on his UK income and capital gains from when he becomes UK resident;
- It is likely that his non-UK assets will be outside the scope of inheritance tax for a further 10 years.

### **Planning points**

If he was UK resident in 2025/2026 or a later year, Dr X may wish to postpone his return to the UK so that he is away for a full 10 years (and therefore treated as a former long-term non-resident) and can take advantage of the FIG regime and beneficial inheritance tax treatment.

## **Case 2: Mrs A – former long-term non-resident arriving in the UK after 5 April 2025**

### **Current position**

Mrs A can elect to be taxed on the remittance basis. If she does so, she will not pay UK tax on her foreign income and gains unless she remits them to the UK. If she does remit them, she will pay UK tax at full rates. She must pay UK tax on her UK income and capital gains. Her foreign assets will be outside the scope of inheritance tax.

### **How would she be taxed under the proposed changes?**

Mrs A will pay UK income tax and capital gains on her UK income and capital gains from when she becomes UK resident. She can claim the FIG regime for her first four years of UK residence. If she does so, she will not pay any UK tax on her foreign income and capital gains arising in the four years and can bring them to the UK without an additional UK tax liability.

Any UK assets she has or acquires will be subject to inheritance tax but her non-UK assets will not be subject to inheritance tax until she has been resident in the UK for 10 tax years.

### **Planning points**

Mrs A should consider maximising and realising foreign income and capital gains before she arrives in the UK or in her first four tax years' tax residence, when she will be able to use the FIG regime.

## Case 3: Mr B – non-dom former long-term non-resident who will have been UK resident for two years on 6 April 2025

### Current position

Mr B can elect to be taxed on the remittance basis. If he does so, he will not pay UK tax on his foreign income and gains unless he remits them to the UK. If he does remit them, he will pay UK tax at full rates. He must pay UK tax on his UK income and capital gains. His foreign assets will be outside the scope of inheritance tax.

### How would he be taxed under the proposed changes?

Until 6 April 2025, Mr B can (and probably should) claim the remittance basis of taxation.

In respect of his income and capital gains arising after 5 April 2025:

- Mr B will be liable to UK income tax and capital gains if they arise in the UK;
- Mr B can claim the FIG regime in the tax years 2025/2026 and 2026/2027. If he does so, he will not pay any UK tax on his foreign income and capital gains arising in those years;
- If he remains UK resident, Mr B will be liable to UK tax on his worldwide income and capital gains arising after 5 April 2027.

In respect of clean capital and income and capital gains that arose to Mr B while claiming the remittance basis before 6 April 2025:

- He will not be subject to UK tax on his clean capital, whenever he brings it to the UK;
- He will not be subject to UK tax on his unremitted income and capital gains if he leaves them outside the UK. If he brings them to the UK before 6 April 2027, he will pay 12% tax on them under the TRF, as opposed to UK tax at up to 45% if he brings them to the UK before 6 April 2025.

Any UK assets Mr B has or acquires will be subject to inheritance tax but his non-UK assets will not be subject to a worldwide inheritance tax until he has been resident in the UK for 10 tax years.

### Planning points

Mr B should continue to claim the remittance basis for now. He should consider:

- Postponing the remittance of pre-April 2025 income and capital gains until at least April 2025; and
- Maximising his income and rebasing or disposing of non-UK assets between 6 April 2025 and 5 April 2027, when he can do so without a tax charge.

## Case 4: Mrs C – non-dom who became UK tax resident before 6 April 2022

### Current position

Mrs C will be taxable in the same way as Mr B above.

### How would she be taxed under the proposed changes?

Until 6 April 2025, Mrs C can (and probably should) claim the remittance basis of taxation.

If she remains UK resident after 5 April 2025:

- All of her UK income and capital gains arising after 6 April 2025 will be subject to UK tax, as she does not qualify to use the FIG regime;
- 50% of her foreign income arising in the tax year 2025/26 will be subject to income tax;
- 100% of her foreign capital gains arising in the tax year 2025/26 will be subject to capital gains tax but she will be able to elect to rebase assets she owned at 5 April 2019 to their market value as at 5 April 2019;
- She will not be subject to UK tax on her clean capital (if she has any), whenever she brings it to the UK;
- She will not be subject to UK tax on pre-April 2025 unremitted foreign income and capital gains if she leaves them outside the UK. If she brings them to the UK between 6 April 2025 and 5 April 2027, she will pay 12% tax on them as a result of the TRF, as opposed to UK tax at up to 45% if she brings them to the UK before 6 April 2025.

Any UK assets Mrs C has or acquires will be subject to inheritance tax but her non-UK assets will not be subject to inheritance tax until she has been resident in the UK for 10 tax years.

### Planning points

Mrs C should consider claiming the remittance basis for the tax year 2024/2025 and realising foreign income and capital gains, which she should leave outside the UK, during that year. Such income and capital gains can then be remitted to the UK post 6 April 2025 at a rate of 12% under the TRF. She should also consider rebasing her non-UK assets prior to 5 April 2025 if they have increased in value since April 2019.

If she plans to remain UK resident, Mrs C should consider settling a trust for her foreign assets before 6 April 2025, in order to ensure that those assets remain outside the scope of inheritance tax.

## Case 5: Mr D – non-dom who will have been UK resident for more than 10 years on 6 April 2025

### Current position

Mr D's position is the same as Mr B's (see above).

### How would he be taxed under the proposed changes?

Until 6 April 2025, Mr D can (and probably should) claim the remittance basis of taxation.

If he remains UK resident after 5 April 2025:

- Mr D will be subject to UK taxation on his worldwide income and gains;
- 50% of his foreign income arising in the tax year 2025/26 will be subject to income tax;
- 100% of his foreign capital gains arising in the tax year 2025/26 will be subject to capital gains tax but he will be able to elect to rebase assets he owned at 5 April 2019 to their market value as at 5 April 2019;
- He will not be subject to UK tax on his clean capital (if he has any), whenever he brings it to the UK;
- He will not be subject to UK tax on unremitted foreign income and capital gains if he leaves them outside the UK. If he brings them to the UK before 6 April 2027, he will pay 12% tax on them as a result of the TRF. After that, he will be subject to tax on remittances at full rates;
- Mr D will have been resident in the UK for more than 10 years and will therefore become subject to UK IHT on his worldwide assets;
- If Mr D leaves the UK, his worldwide estate will be within the scope of inheritance tax for a further 10 tax years. We do not yet know, if Mr D left the UK prior to 6 April 2025, whether he would be subject to the current three year tail or whether he would be subject to the new 10 year tail.

### Planning points

Mr D should consider realising foreign income and capital gains prior to 6 April 2025 while claiming the remittance basis. Such income and capital gains can then be remitted to the UK post-6 April 2025 at a rate of 12% under the TRF. He should also consider rebasing his non-UK assets prior to 5 April 2025 if they have increased in value since April 2019. If he does not do any such planning, any income and capital gains that arose to him before pre-6 April 2025 and he remits will be taxed on him at rates of up to 45% and 20% respectively.

If he plans to remain UK resident Mr D should consider settling a trust for his foreign assets before 6 April 2025, in order to ensure that those assets remain outside the scope of inheritance tax.

## Case 6: Miss E – non-dom settlor of non-UK resident trust. She will have been UK resident for more than 4 years on 6 April 2025

Miss E settled her shares in a non-UK family business in a non-UK resident trust before 6 April 2025. Miss E and her three children (aged 8, 10 and 20) are the beneficiaries of the trust.

### Current position

Miss E will be in a similar position to Mr B as regards her assets outside the trust.

In respect of the trust, the present position is:

- It is an excluded property trust for inheritance tax purposes, meaning its non-UK assets are not subject to inheritance tax;
- It is a protected trust for income tax purposes, meaning that its foreign income cannot be taxed on Miss E until she receives a benefit from the trust or ‘taints’ the trust (this has a technical meaning not explored here);
- Its capital gains are not taxed on Miss E as they arise;
- If and when Miss E or another UK resident beneficiary receives a benefit from the trust, they may be treated as receiving taxable income or capital gains, although the remittance basis may also apply to such attributed income or capital gains.

### How would she be taxed under the proposed changes?

Miss E will be in a similar position to Mrs C and Mr D as regards her personal tax position.

In respect of the trust, from 6 April 2025:

- The trust will continue to be an excluded property trust for inheritance tax purposes – its non-UK assets will be outside the scope of inheritance tax;
- The trust is ‘**settlor interested**’ as Miss E and her minor children are beneficiaries. The trust will no longer benefit from income tax and capital gains tax protections. The income and capital gains of the trust arising after 5 April 2025 will be taxed on Miss E on an arising basis whether or not she receives any benefit from the trust;
- It appears that the rule that only 50% of foreign income of to Miss E in 2025/2026 will be taxable will extend to the trust income (but not capital gains) attributed to Miss E in 2025/2026;
- In respect of income and capital gains that arose to the trust before 6 April 2025, it appears that they will be taxed when matched with distributions received by Miss E and other UK resident beneficiaries. Miss E will no longer be able to claim the remittance basis on such distributions.



## Planning points

The trust offers valuable protection from inheritance tax for Miss E and it is unlikely that Miss E would be advised to terminate it. However, Miss E should consider taking other planning steps before 6 April 2025, including:

- Miss E may wish to consider excluding herself and her minor children as beneficiaries of the trust to prevent the attribution of its income to her after 5 April 2025. However, if other family members remain beneficiaries, the trust's gains may still be taxed on her;
- If the trust has made income and capital gains in the past, she may wish to ask the trustees for a significant distribution before 6 April 2025 and then use the TRF to remit it to the UK between 6 April 2025 and 6 April 2027, when it will be taxed at 12%. This is subject to the proviso that it is not certain the TRF will apply to income and gains connected with trusts;
- The trustees may look to rebase trust assets to reduce the capital gains that can be taxed on Miss E after 5 April 2025;
- The trustees may look to generate capital rather than income yield in future.

## **Case 7: Ms F – non-dom UK resident settlor of non-UK resident trust/company structure. She will have been UK resident for fewer than 4 years on 6 April 2025**

Ms F settled a portfolio of non-UK shares into a non-UK resident trust structure before 6 April 2025. Ms F is a beneficiary of the trust.

### **Current position**

Ms F's position will be the same as Miss E above.

### **How would she be taxed under the proposed changes?**

Ms F will be in a similar position to Mr B as regards her personal tax position. In respect of the trust, from 6 April 2025:

- The trust will continue to be an excluded property trust for inheritance tax purposes – its non-UK assets will be outside the scope of inheritance tax;
- The trust is settlor interested as Ms F can benefit from it. The trust will no longer benefit from income tax and capital gains tax protections. The income and capital gains of the trust arising after 5 April 2025 will be treated as Ms F's on an arising basis whether or not she receives any benefit from the trust. However, if she elects for the FIG regime, she will not be subject to UK tax on the income or capital gains on them until she reaches four years' UK tax residence;
- After the four year threshold is reached and Ms F cannot use the FIG regime, the trust's income and capital gains will be taxed on her as they arise if she is still UK resident, although the TRF may reduce the tax liability on early year's FIG;
- In respect of income and capital gains that arose to the trust before 6 April 2025, it appears that they will be taxed when matched with distributions received by Ms F and other UK resident beneficiaries; However, it appears that as Ms F receives distributions to her before she reaches the four year threshold, she will not be taxed on them, whether or not they are remitted to the UK.

## Planning points

The trust offers valuable protection from inheritance tax for Ms F and it is unlikely that she would be advised to terminate it. However, Ms F should consider taking other planning steps, including:

- As far as possible, postpone the generation of income and capital gains in the trust until after 5 April 2025 – based on what we have been told so far, the income and gains will be attributed to Ms F but she will not pay UK tax on them;
- If the trust has made income and capital gains in the past, Ms F may wish to ask the trustees for a significant distribution to her before she reaches the four year threshold, so that the trust is 'cleaned' at no tax cost to Ms F;
- The trustees may look to rebase trust assets to reduce the capital gains that can be taxed on Ms F after she reached the four year threshold;
- The trustees may look to generate capital rather than income yield after Ms F reaches the four year threshold;
- Ms F may wish to consider excluding herself from being able to benefit from the trust to prevent the attribution of its income and gains to her after she reaches the four year threshold.

## **Case 8: Mr G - UK resident non dom beneficiary of non-UK resident trust. He will have been UK resident for more than 4 years on 6 April 2025**

### **Current position**

Under the anti-avoidance provisions, if Mr G receives a benefit from the trust and it can be 'matched' with trust income or capital gains, he is treated as having made income or capital gains himself. He will be liable to tax on those deemed income or capital gains, subject to the remittance basis if he claims it.

### **How would he be taxed under the proposed changes?**

The current system of 'matching' benefits received by a beneficiary with the trust's relevant income and capital gains will continue. As Mr G will have been UK resident for more than four tax years, he will not qualify for the FIG regime. As a result, if he remains resident in the UK after 5 April 2025:

- He will not be subject to UK tax in respect of the trust unless and until he receives a benefit from it;
- When he does receive a benefit, he may be treated as if he has received income and/or capital gains on which he will be liable to UK tax;
- He may only have to pay UK tax on 50% of such income attributed to him in 2025/2026 as long as he has claimed the remittance basis in 2024/2025 or (this still needs to be clarified) an earlier year;
- If he received distributions from the trust before 6 April 2025 and claimed the remittance basis in respect of them, he may be able to remit them to the UK in 2025/2026 or 2026/2027 at a tax rate of 12% using the TRF.

### **Possible planning**

Mr G and the trustees may consider the following planning steps:

- Make a large distribution outside the UK to Mr G before 6 April 2025 in a year when he claims the remittance basis so that it is not taxed;
- Assuming that the TRF will be available, Mr G could bring the distribution to the UK after 6 April 2025 at reduced tax rate of 12%.

## **Case 9: Mr H - UK resident non-dom beneficiary of non-UK resident trust. He will have been UK resident for fewer than 4 years on 6 April 2025**

### **Current position**

If Mr H receives a benefit from the trust and it can be 'matched' with trust income or capital gains, he is treated as a having made income or capital gains himself, on which he will be liable to UK income tax or capital gains tax subject to the remittance basis if he claims it.

### **How would he be taxed under the proposed changes?**

Mr H will qualify for the FIG regime. If he elects to use it, any distributions/benefits he receives from the trust after 6 April 2025 until he reaches the four year threshold will not be subject to UK tax, whether or not he remits them.

Once Mr H has reached the four year threshold, he will be subject to UK tax on all distributions/benefits from the trust insofar as they are matched with trust income or capital gains.

### **Possible planning**

Mr H and the trustees may wish to consider:

- Minimising distributions to Mr H before 6 April 2025, as they will be taxable;
- Maximising distributions to Mr H after 5 April 2025 before he reaches the 4 year threshold, as he will not pay UK tax on them if he elects to use the FIG regime.

 **IM**, irwinmitchell