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Non-dom tax changes: the FIG regime, CGT and income tax

With effect from 6 April 2025, a new Foreign Income and Gains ('FIG') regime has been introduced for internationally mobile individuals to replace the remittance basis regime historically available to non-UK domiciled individuals.

The income tax and capital gains tax (CGT) reforms are summarised below. Please see our other articles for more information on the changes made to the [inheritance tax](#) regime for non-doms, and for the changes made to the [taxation of trusts](#).

The rules prior to 6 April 2025

Most UK tax residents are taxed on the arising basis, which means they are liable to UK tax on their worldwide income and gains.

Prior to 6 April 2025, individuals who were w UK tax resident, but non-UK domiciled had the option of claiming the remittance basis of taxation. Those claiming the remittance basis were subject to UK tax in full on their UK source income and gains, but only liable to UK tax on their foreign income and gains that if remitted to or enjoyed in the UK.

A consequence of claiming the remittance basis was that the individual lost their entitlement to the income tax personal allowance and capital gains tax (CGT) annual exempt amount for the tax year that the claim is made. There was no charge to use the remittance basis until an individual had been UK tax resident for more than seven out of the previous nine tax years. After that, it cost £30,000 each tax year to claim the remittance basis. This charge increased to £60,000 once an individual had been resident for more than 12 tax years.

Once a taxpayer had been UK tax resident in 15 out of the previous 20 tax years, they would be deemed domiciled for UK tax purposes and no longer able to claim the remittance basis of taxation. Such individuals were therefore required to pay UK tax on their worldwide income and gains as they arose

The new rules from 6 April 2025

Four-year FIG regime

With effect from 6 April 2025, a new regime has been introduced for individuals who become UK tax resident after a period of at least 10 consecutive tax years of non-residence ("qualifying new residents"). For a period of four tax years commencing when the individual first becomes UK tax resident, the individual will not (subject to making a claim) pay UK tax on their foreign income and gains arising in a tax year regardless of whether or not these funds are brought to the UK. The Government has referred to this new system as the FIG (foreign income and gains) regime.

The FIG regime is intended to be simpler than the historic remittance basis regime, as individuals will no longer be required to keep their foreign income and gains offshore.

Individuals who, on 6 April 2025, had been UK tax resident for less than four tax years (following 10 consecutive years of non-residence) are able to utilise the FIG regime for any tax year of UK tax residence which falls within the remainder of the four-year period commencing when they became UK tax resident.

After the four-year period has elapsed, it will no longer be possible to claim tax relief under this regime and the individual will be subject to UK tax on their worldwide income and gains. This is a significant change from the historic rules, which allowed for non-UK domiciled individuals to claim the remittance basis for a period of 15 tax years before becoming deemed domiciled.

The FIG regime will apply equally to individuals who are UK domiciled and non-UK domiciled. There is, therefore, potential for UK domiciled individuals returning to the UK after an extended period of at least 10 tax years of non-UK residence, who were historically not eligible to claim the remittance basis of taxation, to benefit from the introduction of this regime.

The four-year FIG regime is only available for a maximum period of four consecutive tax years. If an individual leaves the UK temporarily within the four-year period in which

they are eligible for the FIG regime, they may still be eligible to make a claim if they return to the UK within the remaining four-year period. For example, if an individual becomes UK tax resident in 2025-26, is non-UK tax resident in 2026-27 and then UK tax resident again from 2027-28 onwards, they will be able to utilise the FIG regime for the 2025-26, 2027-28 and 2028-29 tax years; however, they will not get a full four tax years of relief.

An individual's tax residence status for the purposes of the FIG regime will be determined using the Statutory Residence Test.

Where an individual is UK tax resident for a tax year under Statutory Residence Test, also resident in another jurisdiction but 'treaty resident' in that other jurisdiction under a Double Taxation Agreement, the individual will still be treated as UK tax resident for the purpose of determining if they eligible for the FIG regime.

When an individual comes to or leaves the UK part way through a tax year, they may qualify to split the tax year into a UK tax resident part and non-UK tax resident part if certain conditions are met. Split years will be treated as full years of UK tax residence for the purposes of the FIG regime. The actual period for which the FIG regime can be utilised may therefore be less than four full years.

Making a claim for relief

A claim must be made within the individual's self-assessment tax return for each tax year in which they wish to rely on this relief. The claim will need to be made before 31 January in the second tax year following the tax year to which the claim relates. For example, a claim for relief in the 2025-26 tax year will need to be made on or before 31 January 2028.

Claims for relief on foreign income and gains are independent of one another. Taxpayers can, therefore, apply for relief on their foreign income or on their foreign gains or both. Claims also apply on a source-by-source basis meaning taxpayers can claim relief on certain sources of foreign income and gains and not on others. This may be useful if a claim would impact the tax position of a source of income/capital gains in another jurisdiction.

Those who claim to be taxed under the FIG regime will be required to quantify the foreign income and gains on which they are claiming relief and report this within their self-assessment tax return. Broadly, this means that all individuals who are UK tax resident will be required to report their worldwide income and gains within their tax returns from 6 April 2025.

Any foreign income losses or foreign capital losses which arise during a tax year in which an individual is claiming the new FIG regime will not be deductible, regardless of whether the claim is made in respect of only foreign income, only foreign gains, or only on employment income using Overseas Workday Relief (see below).

Additionally, if an individual elects to be taxed under the new FIG regime, they will lose their entitlement to the income tax personal allowance (£12,570 for the 2024-25 tax year) and CGT Annual Exempt Amount (£3,000 for the 2024-25 tax year). Taxpayers will lose their entitlement to both allowances regardless of whether a claim is made in respect of only foreign income, only foreign gains, or only on employment income using Overseas Workday Relief. This mirrors the historic remittance basis regime and means that the regime may not be useful for taxpayers with small amounts of foreign income and capital gains.

There is no charge for claiming this new relief which sets it apart from the remittance basis and similar regimes in jurisdictions like Italy (which has recently increased the level of its lump sum taxation to €200,000 per annum for new applicants).

Transitional provisions

The Government have announced a series of transitional reliefs for those taxpayers losing the ability to claim the remittance basis outlined below.

It has been confirmed that the Government will not allow for a 50% reduction to foreign taxable income in 2025-26 for those taxpayers who are no longer have the ability to claim the remittance basis (a policy originally proposed by the Conservative party as part of the Spring Budget).

Rebasing for capital gains tax

With effect from 6 April 2025, certain individuals who have previously claimed the remittance basis can rebase their foreign capital assets held personally to their market value on 5 April 2017.

To qualify for this rebasing relief, the following conditions must be met:

- The taxpayer must not have been UK domiciled nor deemed domiciled at any time before the 2025-26 tax year,
- The taxpayer must have claimed the remittance basis in one of the tax years between 2017-18 and 2024-25 inclusive. Any tax year where an individual has automatically qualified for the remittance basis will be ignored,
- The taxpayer must have owned the relevant asset on 5 April 2017 and must dispose of it on or after 6 April 2025, and
- The asset must have been situated outside of the UK throughout the period from 6 March 2024 to 5 April 2025 (subject to certain exceptions).

An individual who is eligible to claim relief under the new FIG regime, who disposes of a foreign asset within the qualifying four-year period, should not be liable to pay UK tax on the gain arising on sale regardless of whether or not the proceeds are remitted to the UK. In this case, a rebasing election should not be required.

Care should be taken when remitting the proceeds received on the sale of foreign assets pre-6 April 2025 to the UK. It is not possible to easily separate the gain arising on the sale of an asset from the funds used to purchase it. If foreign income or gains have been used to acquire an asset

(assessable under the historic remittance basis regime) bringing the proceeds to the UK could trigger a UK tax charge. The rate of tax applicable would depend on whether the funds are subject to the Temporary Repatriation Facility (see below).

When changes to the taxation of non-doms were introduced from 6 April 2017, individuals who became deemed UK-domiciled from that date were able to rebase their assets to their value at 5 April 2017. This rebasing relief will remain in place although it will be adjusted such that individuals seeking to rely on it do not need to maintain their non-UK domicile under general law from 6 April 2025.

Whilst both rebasing reliefs allow for assets to be rebased as of 5 April 2017, it should be noted that they are two separate reliefs and it is important for individuals to ensure they know which relief they are seeking to apply to ensure that they meet the necessary criteria.

Temporary Repatriation Facility

Foreign income and gains which arose before 5 April 2025, while an individual was taxed under the remittance basis, will continue to be taxable when remitted to the UK (as is the case under the current rules).

When an individual remits funds to the UK, it will be necessary to identify the source of the funds remitted to determine whether the remittance is of previously accrued foreign income or gains (subject to UK tax) or contains clean capital. Where a remittance is made from an account containing a mixture of income, gains and clean capital or funds that derive from more than one tax year, it is currently necessary to apply strict ordering provisions to determine the source of the remitted funds. These are referred to as the mixed fund ordering rules.

A Temporary Repatriation Facility (TRF) will be available for those who have previously claimed the remittance basis, allowing them to remit previously accrued foreign income and gains to the UK after 6 April 2025 at a reduced rate. This relief will be available for a period of three tax years.

To use the TRF, taxpayers will be required to designate FIG to which the relief will apply within their self-assessment tax return. Designations made during the 2025-26 and 2026-27 tax years will be taxed at a flat rate of 12%, with the rate rising to 15% for designations made during the 2027-28 tax year.

The TRF charge will be payable on designation and no further tax will be payable when the taxpayer actually remits the designated FIG to the UK. Taxpayers can, therefore, make designations in respect of amounts they wish to remit in the future. The taxpayer will not be required to declare remittances of designated FIG made in subsequent years.

Individuals can designate amounts within a mixed fund without identifying each source of FIG contained within the fund. Additionally, the Government have announced the following changes to the current mixed fund ordering rules to make these provisions simpler for the taxpayer:

- Where a mixed fund contains designated FIG, the

designated amount will be treated as remitted first, in priority to all other amounts, regardless of the tax year in which the designated FIG arose, and

- In establishing what a remittance to the UK consists of, taxpayers may complete this analysis on an annualised basis, ie they may look at all remittances and offshore transfers made from a mixed fund containing designated FIG and treat these as a single remittance and a single offshore transfer made at the end of the relevant tax year rather than analysing transfers on a transaction-by-transaction basis.

Designations can be made in respect of FIG invested in overseas assets and therefore it will not be necessary for individuals to sell assets to benefit from the TRF. In addition, designations can be made in respect of investments which have previously qualified for Business Investment Relief (BIR). In both circumstances, no further tax will apply to the designated sum if the asset is subsequently sold, and the proceeds are remitted to/remain in the UK.

The Government have confirmed that the TRF can be claimed on stockpiled foreign income and gains within offshore structures in the following circumstances:

- Where income and gains are matched to capital payments made to non-dom beneficiaries before 6 April 2025 to which the remittance basis applied.
- Where capital payments are received from offshore structures in the 2025-26, 2026-27 and 2027-28 tax years, provided these capital payments match with foreign income and gains of the offshore structure which arose prior to 6 April 2025.

This represents a significant change to the Conservative policy (announced as part of the Spring Budget) which sought to restrict the availability of the TRF to foreign income and gains which arose personally.

However, the TRF will not be available for income distributions received from offshore settlement on or after 6 April 2025, even if paid out of pre-5 April 2025 income.

The amount of FIG designated under the TRF should be net of any foreign tax paid. It will not be possible for individuals to claim a credit for any foreign tax paid against the TRF charge.

Business Investment Relief

Business Investment Relief (BIR) currently provides individuals who have claimed the remittance basis of taxation with the opportunity to remit foreign income and gains to the UK without triggering a UK tax charge, provided the funds are used to make qualifying investments.

From 6 April 2028, it will no longer be possible to claim BIR on any new investments. Existing BIR investments will continue to benefit from BIR until a potentially chargeable event occurs such as a disposal of the investment. In line with the current rules, an individual may prevent a taxable remittance if a potentially chargeable event occurs by taking the foreign income and gains originally invested offshore.

As outlined above, FIG that has been used to make qualifying BIR investments can be designated under the TRF. No further tax will be charged on the designated amount if there is a disposal of the investment or another potentially chargeable event occurs.

For further information on Business Investment Relief and what constitutes a potentially chargeable event, please refer to our Business Investment Relief article.

Overseas Workday Relief

The Government have announced that Overseas Workday Relief (OWR), which provides relief from UK tax on earnings from employment duties performed outside of the UK, will continue to be available.

Where an employee is eligible for the FIG regime, they can also make an OWR election. As such, since 6 April 2025 OWR is now available for up to four tax years. This is an improvement on the current rules which only permit for OWR to be claimed for a maximum period of three years.

The new rules provide relief from income tax on earnings from employment duties performed outside of the UK regardless of whether or not these earnings are brought to the UK (representing a significant simplification of the current rules).

The amount of OWR available in each qualifying tax year will be capped at the lower of 30% of the qualifying employment income, and £300,000.

A claim for OWR can be made independently of any other claim under the FIG regime (ie in respect of other foreign income or gains). If an employee makes an OWR claim they will lose their entitlement to the income tax personal allowance and CGT annual exempt amount, as well as their ability to claim foreign income losses and capital losses in the tax year.

Individuals who have claimed OWR in a tax year prior to 6 April 2025 but are ineligible for the new FIG regime (such as those who were not non-UK tax resident for 10 consecutive tax years before arriving in the UK) may continue to claim OWR for their first three years of UK tax residence. Individuals who were part-way through their OWR period on 6 April 2025 and are eligible for the FIG regime can claim OWR for a maximum of four years.

In addition, those taxpayers who were part-way through their OWR period on 5 April 2025 will not be subject to the annual relief limits set out above. However, those who used the old OWR regime for all three of the 2022-23, 2023-24 and 2024-25 tax years will not qualify for OWR in 2025-26 even if they are a qualifying new resident.

Changes to the definition of remittances

Separate to the announcements regarding the end of the remittance basis, some changes were made to the definition of a remittance. These include changes to put recent case law decisions on a statutory footing, but also a significant change regarding the tax position of income or gains which are remitted to the UK more than once. Relief from taxation will now only be available for a second remittance if tax was paid on the first remittance.

Next steps

These reforms will be wide reaching and significantly. These reforms are wide reaching and significantly impact the tax position of internationally mobile individuals. We urge any individuals impacted to review their affairs and start conversations with their advisors sooner rather than later.

We provide advice and support to individuals with international tax complexities. We're also part of Nexia, a global network of independent accounting and consulting firms that operate internationally in over 122 countries. This means we can provide you with multi-jurisdictional support to find the right solution.

If you'd like to understand more about this topic and the options available to you, please get in touch.



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