

Finance Bill 2024 – Changes to non-doms (Lecture P1432 – 15.48 minutes)

The Government intends to move to a residence-based regime from the current domicile-based regime.

The technical rules will be consulted on before the new regime takes effect, which will not be before 6 April 2025.

The main proposal is a 10-year exemption period for new arrivals and a 10-year tail for those leaving the UK.

It is envisaged that the new rules will charge IHT on worldwide assets once resident in the UK for 10 years and will remain in scope until the taxpayer has been non-UK resident for 10 years.

The treatment of UK situs assets will remain unchanged.

The terminology will be an 'IHT chargeable person' which would be someone who has been resident in the UK for 10 years or has left the UK and not yet achieved 10 years' non-residence.

There is some suggestion that there may other connection factors which would make someone an IHT chargeable person so there is clearly some thought that this regime is not going to be based entirely on residence.

It is thought likely that anyone who has left the UK before the implementation of this regime will not be subject to the 10-year tail but that has not yet been confirmed.

It is likely that the IHT spouse exemption will operate differently with gifts from an IHT chargeable person to a non-chargeable person to be a PET rather than exempt, subject to an election similar to the current domicile election.

The Government have confirmed that the treatment of non-UK assets settled by a non-domiciled individual into a trust before 6 April 2025 will not change. Therefore, excluded property trusts settled before the change will remain excluded property and outside the scope of UK IHT and the gift with reservation provisions will not apply. Non-UK property which is comprised in a settlement that currently comes back into the UK IHT net where the settlor is a formerly domiciled resident will be consulted on and so this may change.

New trusts and additions to trusts settled on or after 6 April 2025 will be subject to the new rules. This means the chargeability of assets comprised within a settlement will depend on whether the settlor met the residency criteria at the time the assets are settled or when the charge arises. Again, there is reference to other connecting factors being relevant.

A number of other areas will need to be brought into the regime including gifts with reservation, domicile elections, formerly domiciled residents and the periodic charges arising to trusts.