

CHANGES TO FOREIGN INCOME AND GAINS (FIGs) REGIME



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PRE 6/4/2025

CURRENT RULES

POST 6/4/2025

ORIGINAL PROPOSAL FOLLOWING SPRING BUDGET

POST 6/4/2025

UPDATED RULES FOLLOWING AUTUMN BUDGET

MAIN FOREIGN INCOME AND GAINS ('FIGs') RULES AND AMENDMENTS

	PRE 6/4/2025 CURRENT RULES	POST 6/4/2025 ORIGINAL PROPOSAL FOLLOWING SPRING BUDGET	POST 6/4/2025 UPDATED RULES FOLLOWING AUTUMN BUDGET
NON-UK INCOME AND GAINS	<p>Remittance Basis available for non-domiciles.</p> <p>UK Tax - unless a remittance basis user where no tax if FIGs not remitted to the UK.</p>	<p>Remittance basis no longer available from 6 April 2025.</p> <p>For individuals who have been non-resident for 10 years no UK tax on FIGs for first 4 years, i.e. income and gains can be remitted to the UK in first 4 years completely free of UK tax.</p>	<p>29 July publication (following the Election) clarified that period of non- residence has to be 10 consecutive tax years prior to their arrival in the UK.</p> <p>4-year FIG regime will be treated as a claim to relief for tax purposes and will need to be made in a self-assessment tax return.</p> <p>A claim will need to be made before 31 January in the second tax year after the relevant year for which the claim relates e.g. a claim for 2025/26 made before Jan 2028.</p> <p>To claim the FIG regime, individuals will need to quantify the amount of income and gains for which the relief is claimed. If the FIG amounts are not quantified, the individuals will remain chargeable and subject to tax at their usual rates. Individuals will not need to make a claim for every year of the 4 year period.</p>
ALLOWANCES AND EXEMPTIONS	<p>Remittance basis users have no entitlement to personal allowances and capital gains tax annual exempt amount.</p>	<p>If person chooses new FIG regime they will lose entitlement to personal allowances and capital gains tax annual exempt amount.</p>	<p>No changes announced to the Spring Budget proposals.</p>
PROTECTED TRUST REGIME	<p>Applies if the trust is, or has been, settled by a Non UK domicile or Non UK deemed domiciled settlor.</p> <p>Income and gains arising under a non-resident settlement is protected if the required conditions are met.</p>	<p>Trust protections no longer apply. FIGs will be taxed on settlor on the same basis as UK domiciled settlors as present.</p> <p>For those who qualify for FIG regime, trust income and gains will be exempt for up to 4 years but after this all trust profits are taxed on the settlor or beneficiaries if distributed.</p>	<p>From 6 April 2025, the protection from tax on FIGs arising within settlor-interested trust structures will no longer be available for non-domiciled and deemed domiciled individuals who do not qualify for and claim the 4-year FIG regime. FIGs arising in the trust (whenever established) from 6 April 2025 will be taxed on the settlor on the same basis as UK domiciled settlors, unless the settlor is eligible for and claims the 4-year FIG regime.</p>

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FOREIGN INCOME AND GAINS ('FIGs') TRANSITIONAL RULES			
TREATMENT OF FIGs THAT AROSE PRIOR TO 6 APRIL 2025	N/A	Will continue to be taxed only if they are remitted on or after 6 April 2025 (subject to reduced rates under 'TRF' as below).	No change announced to the Spring Budget proposals.
TEMPORARY REPATRIATION FACILITY ('TRF') Treatment of FIGs that arose before April 2025 remitted in tax year 2025/26 and 2026/27.	N/A	Taxed at a reduced rate of 12% for 2025/26 and 2026/27. Did not apply for pre-6 April gains generated within trusts.	The Autumn Budget added an extra year to the TRF. FIGs will be taxed at a reduced rate of 12% for 2025/26 and 2026/27 (as previous) and then at a rate of 15% for 2027/28. Individuals can designate unremitted FIGs they have received, have benefitted from or that is attributed to them, from an overseas trust or other offshore entity before 6 April 2025.
TREATMENT FOR INCOME OF RESIDENT AND NON-DOMICILED INDIVIDUALS WHO WILL BECOME TAXED ON ARISING BASIS FROM 6 APRIL 2025 (those that do not qualify for new 4 year regime)	N/A	Foreign income tax at reduced rate of 50% for 2025/26 only.	Removed following Labour Government's 29 July publication and no changes made in Budget.
REBASING OF CAPITAL VALUE FOR THOSE WHO REMAIN NON-DOMICILED AT 6 APRIL 2025	N/A	Able to rebase capital value of personally held assets to 5 April 2019	Rebasing date clarified as 5 April 2017 providing conditions are met: <ul style="list-style-type: none"> › Individual must not have been UK domiciled or deemed domiciled before tax year 2025/26 › Must have claimed remittance basis for one of the tax years 2017/18 - 2024/25 › They must have held asset on 5 April 2017 and dispose after 6 April 2025 › The assets must have been situated outside the UK from 6 March 2024 to 5 April 2025.

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EXCLUDED PROPERTY RULES AND CHANGES TO INHERITANCE TAX SYSTEM

EXCLUDED PROPERTY SETTLEMENTS	PRE 6/4/2025	POST 6/4/2025 ORIGINAL PROPOSAL	POST 6/4/2025 UPDATED RULES
EXCLUDED PROPERTY SETTLEMENTS	<p>Non-UK assets settled by a non-domiciled individuals remain outside the scope of UK IHT, even if the settlor becomes UK domiciled or deemed domiciled in future.</p>	<p>Non-UK assets settled by non-domiciled individuals prior to 6 April 2025 remain excluded property. Previous proposals then suggested the new rules would look at the residence of the settlor at the time of settlement (linked to the proposed residence- based IHT system).</p>	<p>Non-UK assets settled by non-domiciled individuals prior to 6 April 2025 will not remain excluded property. However, where the settlor can benefit from the excluded property trust, it will not be considered a gift with reservation if the trust was established before 30 October 2024.</p> <p>Trust will be subject to relevant property charges (periodic and exit charges) where the settlor is a long-term resident (see below).</p> <p>If the settlor dies when they are not long-term resident the trust will always be excluded property and likewise if they die when long term resident the trust will always be relevant property and subject to relevant property charges.</p> <p>Finally, where a settlor is long term resident and then leaves the UK the trust will be subject to an IHT exit charge if the settlor is no longer a long term resident.</p>

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EXCLUDED PROPERTY RULES AND CHANGES TO INHERITANCE TAX SYSTEM (CONTINUE)

<p>IHT DOMICILE-BASED SYSTEM MOVING TO RESIDENCE BASED SYSTEM</p>	<p>IHT is charged based on a person's domicile not residency.</p>	<p>IHT is looking to move to a residence-based system. Government looking at 10 year period to be in scope for IHT with a 10 year tail once a person leaves the UK.</p>	<p>The Budget provided more clarification here.</p> <p>Long Term Residence ('LTR') defined</p> <p>A person will be considered an LTR where they have been resident for at least 10 out of the last 20 tax years immediately preceding the tax year in which they die. They will then be subject to UK IHT based on this long term residence status. The LTR status of the settlor also dictates whether a trust is subject to inheritance tax charges.</p> <p>There is a transitional period for non-domiciles or deemed domiciles who are non-resident in 2025/26. They will be long term resident if they have been resident for 15 out of the last 20 years and for one of the four tax years ending with the relevant tax year.</p> <p>Tail provision</p> <p>The Autumn Budget also confirmed clarification to the length of time a leaver will be considered LTR (the tail provisions). The Budget clarified that, where a person has been UK tax resident for between 10 and 19 years (out of the last 20) prior to leaving the UK the time they remain in scope for IHT is then shortened.</p> <ul style="list-style-type: none"> › For those who have been resident up to 13 tax years (of the last 20) will remain in scope for 3 tax years. › The length of time then increases by one year for every year up to 20 years where they will remain LTR for ten tax years. › For example, a person who has been resident for 17 out of the last 20 tax years remains LTR for 7 tax years after leaving the UK.
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Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

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