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The new UK expat regime – policy considerations

Chris Brookes and Steve Young

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Today's Agenda

- Overview of rules
- What does worldwide taxation look like?
- What steps are needed if moving to FIG?
- Previous UK tax residents
- Spousal returns – current and new requirements
- Inheritance tax – what are the new rules?
- Are you 'Fit for FIG'?

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Overview of rules

For individuals coming to the UK for the first time…

Rules until 5 April 2025

Remittance basis available for non-UK domiciled individuals:

- Non-UK income/gains exempt and not reportable if not remitted
- Loss of Personal Allowance (PA) and Annual Exemption (AE)
- Overseas workday relief available for first 3 tax years

From 8th tax year onwards, individual must pay the remittance basis charge in order to claim the remittance basis:

- Resident in 7 of the previous 9 tax years = £30,000
- Resident in 12 of the previous 14 tax years = £60,000

Deemed UK domiciled once resident 15 of the previous 20 UK tax years.

Exposed to income tax, capital gains tax and inheritance tax on worldwide assets.

Arrival → End of tax year 4 → End of tax year 7 → End of tax year 10 → End of tax year 15

Rules from 6 April 2025

Foreign income and gains regime (FIG) available for individuals who have 10 tax years of non-residence prior to arrival:

- Non-UK income/gains exempt if quantified on tax return
- Loss of PA and AE
- Overseas workday relief available for first 4 tax years (annual limits apply for new claimants)

From 5th tax year onwards individuals taxable on worldwide income and gains.

Additionally, once individuals have been resident in 10 of the previous 20 tax years, they will be subject to UK inheritance tax on worldwide assets.

Once within scope, individuals remain in scope for between 3 and 10 tax years (depending on prior residence).

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Overview of rules - transitional rules

Continued overseas workday relief (OWR)

- Individuals who have claimed overseas workday relief for one or two tax years prior to 6 April 2025 can continue to claim for their first four tax years of residence (if eligible for FIG) or their first three tax years of residence (if ineligible for FIG).
- These continued claims are not subject to the annual limit (lower of £300,000 and 30% of qualifying employment income) and there will be no requirement for earnings relating to 2025/26 onwards to be paid and retained offshore.
- Long term incentives (i.e. bonuses/stock) which relate to pre-2025/26 OWR years will still need to be paid and retained offshore.

Capital gains tax rebasing

- Individuals who have claimed the remittance basis for any of the tax years 2017/18 to 2024/25 can rebase non-UK assets to their 5 April 2017 value, where they were held on this date, for capital gains purposes.

Temporary Repatriation Facility

- Previously untaxed remittance basis income and gains to be 'designated' and taxed at a 12% rate of tax if 'designated' on 2025/26 or 2026/27 returns or 15% if 'designated' on the 2027/28 return. The remittance itself can occur later.

Note: this transitional rule is expected to change follow Rachel Reeves comments on 23 January.

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What does worldwide taxation look like?

Sophie

Sophie is a US citizen who arrived in the UK on 1 January 2022.

Since 2021/22 Sophie has been claiming the remittance basis of taxation but will be subject to worldwide taxation from 6 April 2025.

Sophie’s marginal rate of UK tax is 45% and US tax is 37% and she has a variety of US investments:

Investment	Pre-6 Apr 25 treatment	Post- 5 Apr 25 treatment
US interest	Taxed in US at 37%	Taxed in UK at 45%. Credit available to reduce US taxes to nil.
US dividends	Taxed in US at 20% if qualifying dividends, 37% otherwise	Taxed in the UK at 24.35% (39.35% but 15% FTC available) Credit available to reduce US taxes to 15%
US rental property	Profit taxed in US at 37%	Profit taxed in US at 37% Due to mortgage interest and depreciation not being allowed, profit is higher from a UK perspective (taxed at 45%). FTC available but will be low due to lower US profit.
Gain on US funds (non-reporting for UK tax)	Taxed in the US at 20% if long term gains, 37% otherwise	Taxed in the UK at 45%, cannot be offset with capital losses. Credit available to reduce US taxes to nil.
College 529 plan investments	Exempt from US taxation	Assuming minor children are beneficiaries, UK tax will be due to the extent income is paid from plan assets or assets within the plan are disposed of.

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What does worldwide taxation look like?

Go to www.menti.com on your phone

Enter code 2460 5835

Or use QR code

To what extent does your organisation equalise personal income or gains for tax equalised assignees?

- **A** All personal income/ gains
- **B** Equalised up to a cap
- **C** Not equalised
- **D** Not sure/ we don't offer equalisation

How is your organisation supporting assignees moving to worldwide taxation?

- **A** Providing bespoke advice/ briefings/ calculations
- **B** Providing generic guidance
- **C** Providing no support

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What steps are needed if moving to FIG?

01 Data collection

As worldwide reporting is required from 6 April 2025, individuals moving to FIG should ensure they have access to data sources to receive UK tax year investment data. If appropriate, individuals may choose to simplify their affairs.

02 New bank account structuring

From 6 April 2025, new income can be paid into UK bank accounts or 'clean' overseas bank accounts.

Long term incentives relating to remittance basis overseas workday relief tax years will need to be paid overseas to maximise relief.

Proceeds from assets bought with remittance basis income/gains should be kept outside the UK.

03 Consider the temporary repatriation facility

If individuals want additional funds in the UK or they inadvertently remit historic taxable funds, they could make use of the temporary repatriation facility.

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What steps are needed if moving to FIG?

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Do you think your organisation is set up to make payments in a bonus month to a different account?

A

Yes

B

Yes, but there will be challenges/timing constraints

C

No

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Previous UK tax residents

Individuals who have been UK tax resident in one the 10 tax years prior to their arrival will be subject to the following:

Worldwide income tax and capital gains taxation from arrival

Will not be eligible for 'home leave' exemption (i.e. spouse and minor children's travel back to their home country will be a taxable benefit, employee home leave would also be taxable if the UK was a permanent workplace)

Move faster into worldwide inheritance taxation

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Previous UK tax residents

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Which of the following apply to your organisation? (select all that apply)

- **A** Graduate rotation programme
- **B** Common re-assignment to the UK
- **C** Extension of assignments beyond 3 or 4 years
- **D** None of the above

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Spousal returns – current and new requirements

For a non-domiciled spouse coming to the UK:

Current requirements (up to and including 2024/25 returns)	New requirements (from 2025/26 returns onwards)
Working spouses: • Do not need to complete a UK tax return if non-UK income and gains less than £2,000 and have not been remitted Non-working spouses: • For the first 7 tax years of UK residence, do not need to complete a UK tax return if no UK sourced income or gains and did not remit any non-UK income or gains	• Do not need to register for a UK tax return if worldwide income and gains are below the available allowances (e.g. personal allowance, dividend allowance etc.) In all other cases, e.g. investments exceeding the allowances, the spouse must <u>register for a UK tax return</u> in order to claim the FIG regime or file on the arising basis.

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Spousal returns – current and new requirements

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In light of the changes, is it likely your organisation will provide spousal tax return support?

- **A** Yes, in all applicable cases
- **B** Yes, but only in specific cases
- **C** No

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Inheritance tax – what are the new rules?

Arrival

End of tax year 10

10 tax years after leaving the UK

Non-UK assets will only be within scope of UK inheritance tax for individuals who have been resident in the UK for at least 10 of the last 20 tax years.

The scope of UK inheritance tax will not increase for non-domiciled individuals who are non-resident during 2025/26. These individuals will be subject to the rules above if they return to the UK.

Once within scope of worldwide inheritance tax they will remain in scope of inheritance tax upon leaving the UK as follows:

Tax years of residence in the 20 tax years before leaving	Tax years remaining within scope of worldwide IHT
10-13	3
14	4
15	5
16	6
17	7
18	8
19	9
20	10

There may be a period where individuals are outside of the scope of worldwide IHT but will come back within scope if they return to the UK.

Once an individual has been non-resident for 10 consecutive tax years the test will be reset.

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Inheritance tax – what are the new rules?

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Have you heard any concern from non-domiciled individuals coming within scope of UK IHT on worldwide assets?

A Yes

B No

C I'm not sure they are aware

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Are you ‘Fit for FIG’?

1. Internal education
2. Identification of impacted employees
3. Moving to worldwide tax advice
4. Moving to FIG advice
5. Current UK tax briefings
6. Budgeting for increased tax cost
7. Updating cost projections for the new form of overseas workday relief (OWR)
8. Budgeting for tax return (TR) fees
9. Spousal authorisation review
10. Equalisation policy review

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