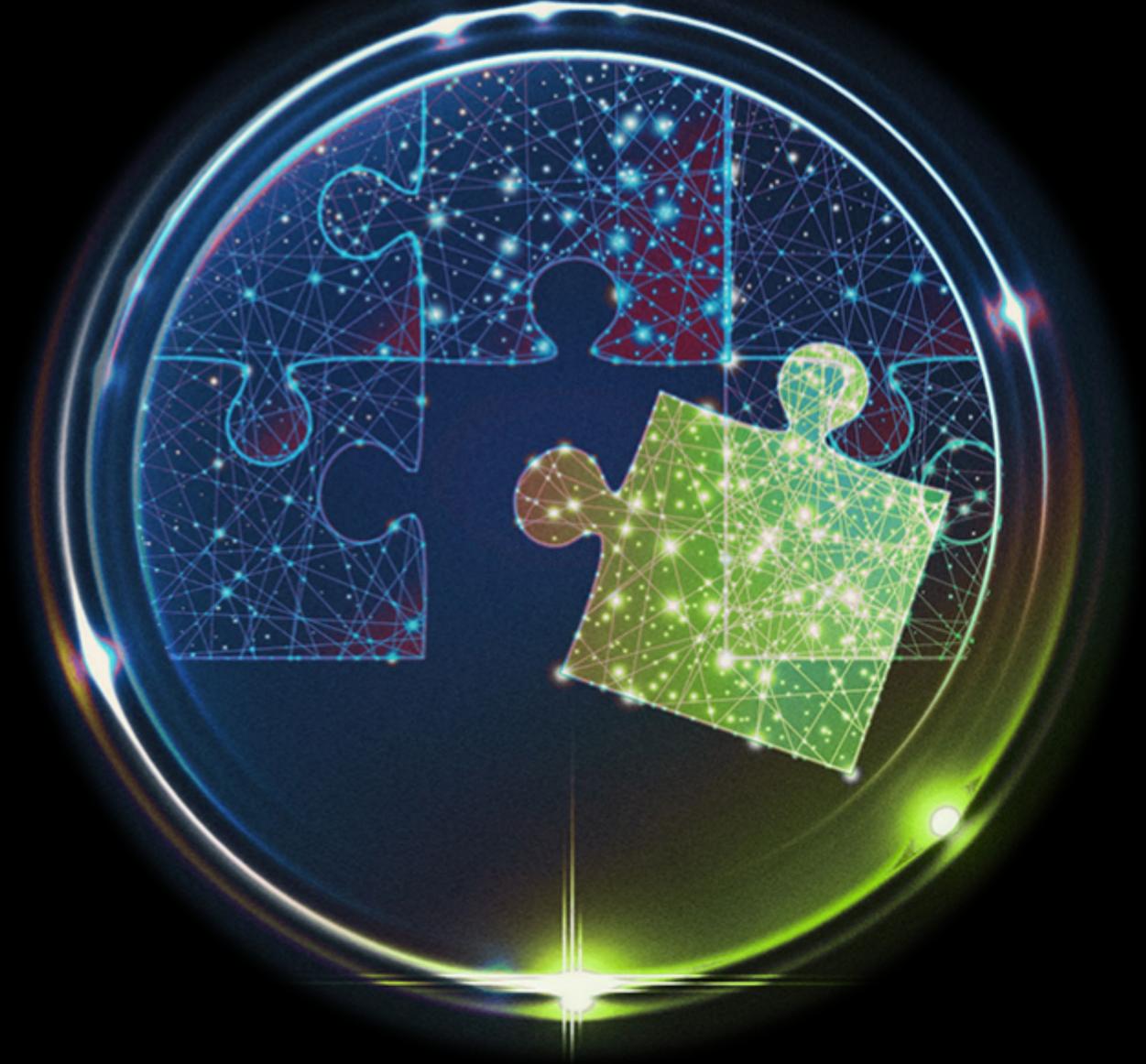


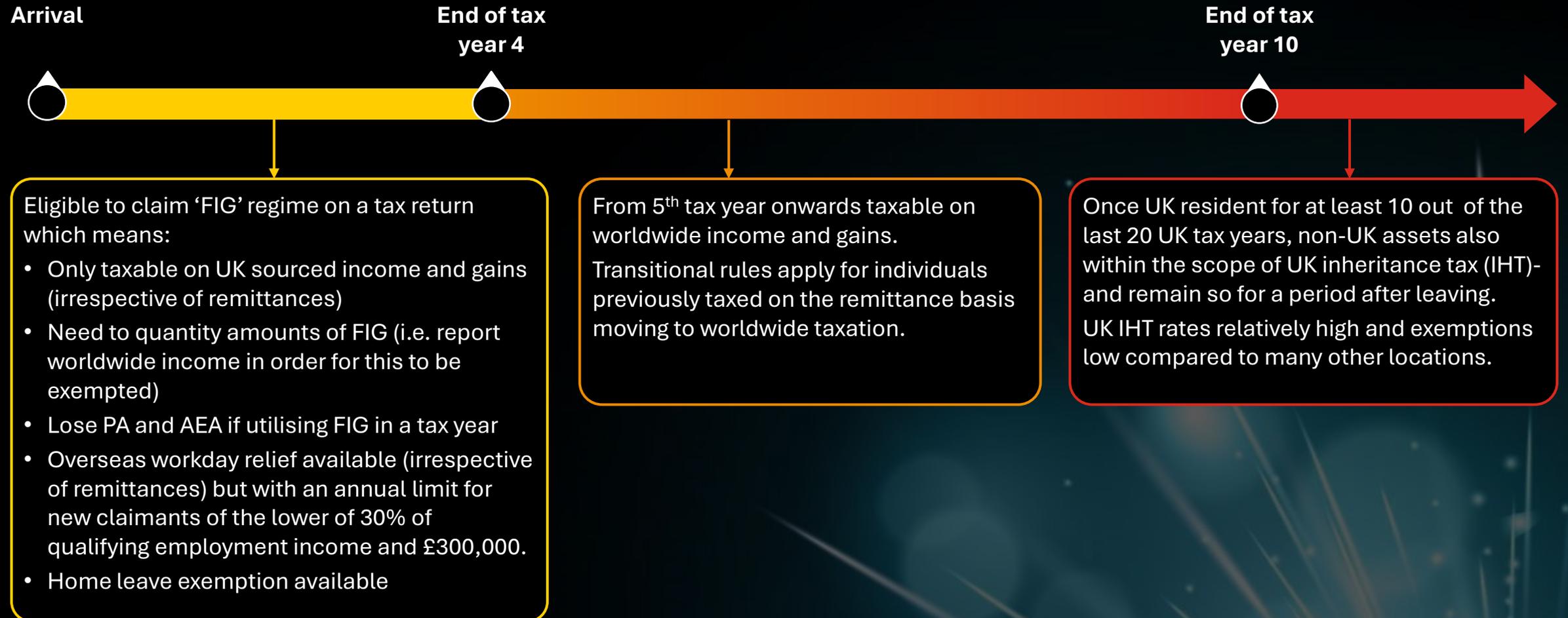
The new Foreign Income and Gains (FIG) regime - how's it going?

Chris Brookes and Steve Young



The new foreign income and gains regime ('FIG') – since 6 April 2025

For a UK tax resident who has been non-resident for the prior 10 UK tax years:



What does FIG eligibility look like?

Mark



Mark is a French national who moved to the UK for the first time on 1 May 2025 and has been resident from that date. He previously lived and worked in the US.

Mark is an additional rate taxpayer who intends to claim the FIG regime.

Mark currently has the following income/ investments.

Investment

Bitcoin holdings through Coinbase- regular sales/ purchases.

£7k net US dividends, after 30% US withholding.

Significant funds within his US Roth IRA and 401k pension plans.

A US rental property- loss making given depreciation and US mortgage costs.

A brokerage account holding units in Luxembourg and Irish domiciled funds.
Any distributions reinvested in further units.

FIG treatment

Income and gains in relation to Bitcoin are considered UK source and taxable regardless of FIG.

The full gross £10,000 should be reported (and exempted) under FIG.

Not reportable as these are an effective ‘wrapper’ for UK purposes based on Article 18 of the UK/ US treaty.

When calculated under UK rules, likely a rental profit (when depreciation and finance costs disregarded). The rental income and expenses should be reported on the foreign pages and FIG exemption claimed.

In addition to reporting distributions, for any non-UK funds with ‘reporting’ status, we’d need to report and exempt any ‘excess reportable income’ (i.e. deemed income amounts). Reinvested dividends or distributions would still be reportable.

What does worldwide taxation look like?

Sandie



Sandie is a US citizen who arrived in the UK on 31 December 2021 and has been taxed on the remittance basis since 2021/22. Sandie is remaining in the UK and was subject to worldwide taxation since 6 April 2025.

Sandie'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, including on municipal bonds	Taxed in US at 37% (municipal bond interest exempt)	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.

Key impacts for employers

1

Policy challenges

Considerations include:

- Spousal support
- Equalisation or support regarding tax on personal income
- Clarity upfront on scope and extent of any IHT protection.

3

Retaining and attracting talent

Clear guidance around UK tax rules. Support to mitigate UK tax impact of personal investments.

5

Home leave implications

Do you currently provide home leave benefit? How will you assess eligibility for the home leave exemption from 6 April 2025? Who will be responsible for any associated taxes? Note HMRC focus on associated immigration costs (Certificate of Sponsorship, Immigration Skills Charge & Surcharge).

2

Additional cost

Considerations include:

- For equalisation cases, understand and Budget for impact of tax on personal income or impact of overseas workday relief caps;
- Managing presence/ factors under SRT or using double tax treaty to mitigate impacts.
- Consider timing of moves or FIG eligibility within candidate selection.

4

Additional complexity

Consider level of briefing support for new moves (FIG eligible vs non-FIG eligible)

Additional briefing for those approaching their 5th tax year?

6

2025/26 tax returns

Requirement to analyse employees' non-UK income and gains as part of FIG quantification.

Clear alignment on where responsibility lies for identifying income sources. Set expectation at outset and whether support via programme will suffice (vs private engagement).

Spousal tax returns- do they need support?



Current requirements (up to and including 2024/25 returns)

New requirements (from 2025/26 returns onwards)

Sushma has moved to the UK in January 2024 with her husband during his 3-year assignment. Sushma has a local UK employment (£75,000 per annum) and has £1,200 of Indian bank interest and £1,600 of gross Indian rental income that remain in India.

Sushma did not need to file returns up to 2024/25 if subject to PAYE on her employment income. If she has non-UK income and gains (after the property allowance) of less than £2,000, the remittance basis applied automatically (without a claim).

Sushma will need to register to file a 2025/26 tax return. Although eligible for FIG, she is unlikely to want to claim this (due to the loss of the personal allowance) but will need to report her worldwide income via a tax return (with a credit for any Indian tax).

Sandra is a senior executive of ABC plc and moved to the UK in April 2022 on a permanent transfer. Her husband Jason moved with her- he is not employed, has no UK income but has a 50% share of their US investments, held and retained in US mutual funds and brokerage accounts.

Jason did not need to file a tax return. Up until 2024/25, the remittance basis could also apply automatically for an individual's first 7 tax years of UK residence if they did not have any UK sourced income or gains and did not remit any of their non-UK income or gains.

Assuming Jason's share of US investment income/ gains are above the available allowances, he would need to register for a UK tax return. He could opt into and claim FIG on his 2025/26 return (4th tax year) and then be taxed on worldwide income and gains from 2026/27 (5th tax year).

Spousal tax returns- do you support?

Factors/ considerations:

Existing policy terms/ impact (e.g. 'as required' or 'ad hoc approval').

Type of move- e.g. assignment vs permanent transfer, assignment length or employee vs employer-driven.

Seniority/ importance of employee

Reason for spouse filing requirement- e.g. other UK income/ employment

Timing of move to UK (i.e. pre or post FIG).

Whether joint filing in home country (e.g. US inbounds).

FIG eligible vs non-FIG eligible.

Spousal support

Go to www.menti.com on your phone

Enter code 3619 5004



Or use QR code



Is it likely your organisation will provide spousal tax support from 2025/26?

A

Yes, in all applicable cases

B

Yes, but only in specific cases

C

No

Spousal tax returns- do you support?

Factors/ considerations:

Existing policy terms/ impact (e.g. 'as required' or 'ad hoc approval').

Type of move- e.g. assignment vs permanent transfer, assignment length or employee vs employer-driven.

Seniority/ importance of employee

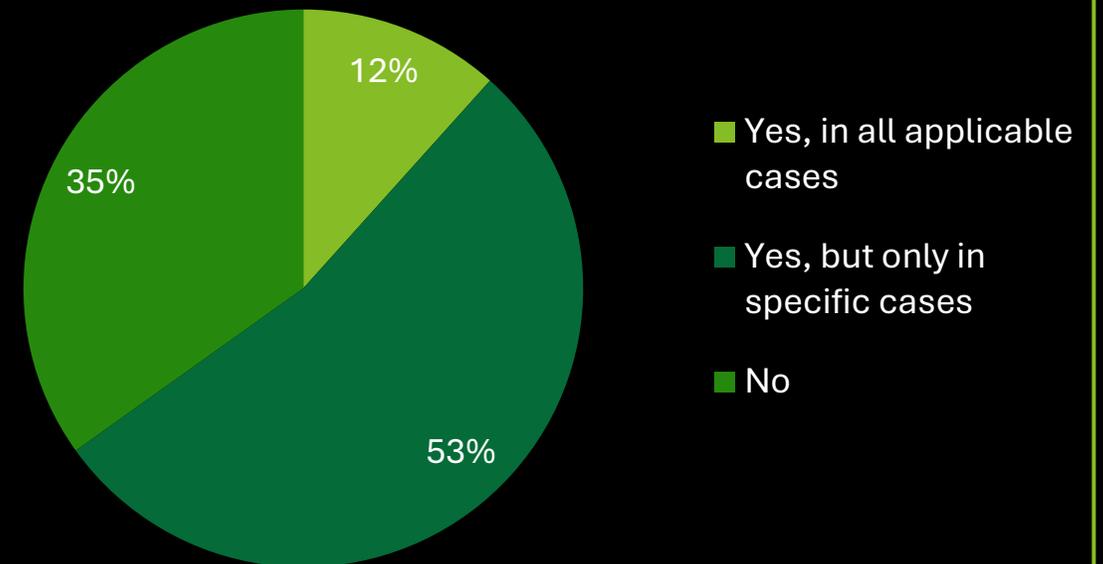
Reason for spouse filing requirement- e.g. other UK income/ employment

Timing of move to UK (i.e. pre or post FIG).

FIG eligible vs non-FIG eligible.

Whether joint filing in home country (e.g. US inbounds).

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



Source: Deloitte Taxing Mobility Conference 2025

Retention

Go to www.menti.com on your phone

Enter code 3619 5004



To what extent have you noticed employees/ assignees being reluctant to extend UK work periods/ remain in the UK? (Select all which apply)

- A** Yes- not beyond 4 tax years
- B** Yes- not beyond 10 tax years
- C** Individuals already left UK due to changes
- D** No issues/ changes
- E** Unsure

Additional complexity- 2025/26 onwards

Additional complexity of tax return itself

- 2025/26 tax return forms/ pages and accompanying guidance to be published in April 2026.
- Draft forms indicate that even for those eligible for FIG, reporting is still expected in granular detail on the foreign pages- i.e. quantifying separately foreign interest and dividends etc.
- The current draft forms show 46 new boxes for 2025/26 across 14 pages which are new or have been updated.
- Reporting for those eligible for FIG is the same as for those liable to worldwide tax, other than a 'Total claimed under the FIG regime' alongside each entry- i.e. to indicate how much of each item should be exempted under FIG.

More information and analysis

- Worldwide reporting means gathering, analysing and reporting an individual's non-UK income and gains.
- Specific complications include:
 - Assessing the vehicle an investment is held within (e.g. US partnership, company, pension etc.);
 - Identifying transactions for our UK tax year (6 April to 5 April)
 - Recalculating profits/ gains under UK tax rules (e.g. share matching rules, specific exchange rates, depreciation or finance costs not being allowable as UK rental deductions etc.).

Risks of errors and underreporting:

-  Juan moves to the UK for the first time 1 January 2024. He is an additional rate taxpayer and files his 2024/25 tax return on the remittance basis and is eligible for FIG (and claims this) on his 2025/26 tax return.
-  Juan has £10,000 per annum of bank interest on a Spanish bank account which is not remitted and is not declared on either return.
-  HMRC routinely issue 'nudge letters' based on Common Reporting Standards information received from abroad and inviting taxpayers to disclose any unreported taxable amounts- often these will be issued about two years after the relevant UK tax year.
-  What are the implications if Juan receives a nudge letter in March 2027 in relation to the 2024/25 return? What are the implications if he receives a similar letter in March 2028 related to the 2025/26 return?

2024/25 return:

- If Juan has claimed the remittance basis and not remitted the Spanish interest, this will not be taxable in the UK or reportable on his return.
- Remittance basis taxpayers occasionally receive such 'nudge letters' but can respond to HMRC explaining their filing basis with no additional UK tax due or further action required.
- A remittance basis claim is a 'blanket' claim (i.e. is not in relation to specified income).

2025/26 return:

- In order to be exempt under FIG, the income needs to be reported, quantified and specifically exempted on the UK tax return.
- The deadline for claiming this FIG exemption is 12 months after the 31 January filing deadline (so 31 January 2028 for 2025/26).
- If omitted from the tax return, and if this deadline has passed, this income would then default to being taxable- i.e. taxable at his 45% marginal tax rate with no credit for any Spanish tax. He would need to register with the 'Worldwide disclosure facility' to make this disclosure and interest and penalties would also apply.

Risks of overlooking certain investments:

Pensions, partnerships, companies or other investment vehicles- i.e. are these an effective 'wrapper' or do we need to consider income/ gains within these vehicles?

Income or gains which may be exempt in the employee's home country- e.g. US municipal bonds or gains with College 529 plans; and

Income or gains where a loss arises in the home country- e.g. rental income or capital gains where the UK calculation may differ; and

Employees overlooking their share of income on jointly owned assets (e.g. income from a rental property, if they don't personally receive the income or manage the property); and

Income invested in the names of an employee's children, but from parental funds- i.e. income of more than £100 is still taxable on the parents from a UK perspective; and

Income seen to arise from a UK perspective but where no amounts are paid out or received- e.g. reinvested dividends or excess reportable income from a 'reporting' fund.

Not declared or reported

FIG exemption not claimed

Default to being taxable

Equalisation of personal income or gains

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Enter code 3619 5004

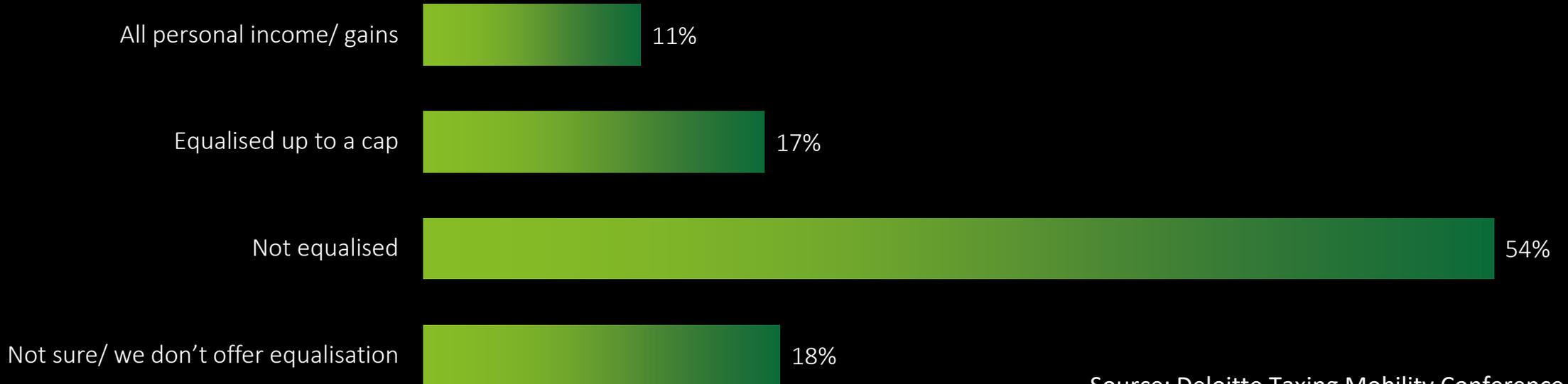


To what extent does your organization equalise personal income or gains for tax equalised assignees?

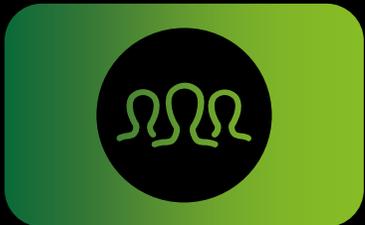
- A All personal income/ gains
- B Equalised up to a cap
- C Not equalised
- C Not sure/ we don't offer equalisation

Equalisation and personal income:

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



Source: Deloitte Taxing Mobility Conference 2025



Based on 128 respondents at the February 2025 Taxing Mobility Conference

Employer considerations around cost:

- Where equalisation of personal income/ gains applies to a cap, how will this cap be applied? (i.e. amounts taxed at different rates in the UK, or more pronounced differences vs home country treatment)
- If personal income/ gains are equalised, who is responsible for additional tax due to failure to report/ exempt under FIG regime?
- If personal income/ gains are equalised, support with personal tax mitigation steps? Any cap or obligation to minimise?
- What will be the impact of overseas workday relief caps for tax equalised employees?
- How will the overseas workday relief cap apply where only partial equalisation of employment income, or following localisation?
- Additional planning around timing of moves- i.e. to ensure FIG eligibility or ensure 4 full tax years of relief?
- Review candidate selection, re-assignments to UK or graduate programmes to preserve FIG eligibility?

Home leave eligibility

Changes to home leave eligibility- overview

*As s375 (qualifying arrival dates) still apply individuals will need to be within their '5 year period' or have been non-resident for the previous 2 tax years

Old rules (travel up to and including 5 April 2025)

- Non-domiciled individuals only;
- Availability for 5 years from 'qualifying date' (when first UK resident), but can be re-set with 2 tax years of non-residence);
- Non-residents can qualify for indefinite period.
- Covers travel to 'the country outside the UK in which the employee normally lives'

New rules (travel from 6 April 2025- no grandfathering)

- Non-residents* or 'qualifying new residents'- i.e. those eligible for FIG;
- Residents can therefore qualify for travel in first 4 UK tax years (and requires 10 tax years to re-set);
- Non-residents can qualify for indefinite period;
- Covers travel to 'a country outside the UK in which the employee normally lives at the time the journey is made'



- Relief is for the provision or reimbursement of travel costs (i.e. no deduction for costs personally borne/ suffered);
- Relief covers 'travel facilities' (which can cover associated immigration costs) but not accommodation/ subsistence at the destination;
- Useful for travel to a permanent workplace and for family travel (not covered under QTSE provisions);
- S374 provides relief for up to two return journeys per tax year for a spouse/ civil partner and minor children.

Summary



Key Takeaways

- Significant additional complexity for those eligible for FIG (in terms of additional reporting) and additional complexity and tax costs (due to differences in tax treatment as well as rates) for those subject to worldwide tax.
- Many individual previously benefitting automatically from the remittance basis may now need to file returns to claim FIG or report worldwide income/ gains- prompting policy questions on family support.
- For those eligible for FIG, it will be important to identify, report and quantify all relevant income and gains for this exemption to apply- certain sources could be easily overlooked.
- Employers may need to review equalisation or assignment/ tax policies regarding responsibilities and some of the nuances around the new regime.
- Employer will want to gauge the cost impact of these changes and scope to mitigate
- The shift in rules in home leave eligibility (together with HMRC's focus on immigration costs) could create additional tax liabilities (and reporting challenges).



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