

# Draft Finance Bill Measures

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## CONTENTS

### PART 1

REPLACEMENT OF SPECIAL RULES RELATING TO DOMICILE

#### CHAPTER 1

NEW RULES FOR FOREIGN INCOME AND GAINS OF INDIVIDUALS BECOMING UK RESIDENT

- 1 Claim for relief on foreign income
- 2 Claim for relief on foreign employment income
- 3 Claim for relief on foreign gains

#### CHAPTER 2

ENDING THE SPECIAL TREATMENT OF INDIVIDUALS NOT DOMICILED IN UNITED KINGDOM

- 4 Remittance basis not available after tax year 2024-25
- 5 Temporary repatriation facility
- 6 Rebasing of assets

#### CHAPTER 3

TRUSTS ETC

- 7 Trusts: connected amendments, transitional provision etc

#### CHAPTER 4

INHERITANCE TAX

- 8 Excluded property: domicile test replaced with long-term residence test
- 9 Corresponding change for settled property
- 10 Consequential, connected and transitional provision

### PART 2

PAYE

- 11 Application of PAYE in relation to internationally mobile employees

- 
- Schedule 1 – Relief on foreign employment income: consequential and transitional provision
    - Part 1 – General consequential amendments
    - Part 2 – Consequential amendments relating to PAYE
    - Part 3 – Transitional provision
  - Schedule 2 – Income tax and capital gains tax: remittance basis and domicile
    - Part 1 – Remittance basis
    - Part 2 – Removal of domicile (primary legislation)
    - Part 3 – Removal of domicile (secondary legislation)
  - Schedule 3 – Temporary repatriation facility
    - Part 1 – Temporary repatriation facility charge
    - Part 2 – Exemptions etc for designated qualifying overseas capital
    - Part 3 – Effect of designation on when amounts remitted etc
  - Schedule 4 – Rebasing of assets
  - Schedule 5 – Trusts: connected amendments, transitional provision etc
    - Part 1 – Settlements (income)
    - Part 2 – Transfer of assets abroad
    - Part 3 – Settlements (chargeable gains)
    - Part 4 – Commencement and transitional provision
  - Schedule 6 – Inheritance tax
    - Part 1 – Amendments to IHTA 1984 and related legislation
    - Part 2 – Commencement and transitional provision

## PART 1

### REPLACEMENT OF SPECIAL RULES RELATING TO DOMICILE

#### CHAPTER 1

##### NEW RULES FOR FOREIGN INCOME AND GAINS OF INDIVIDUALS BECOMING UK RESIDENT

### 1 Claim for relief on foreign income

- (1) In Part 8 of ITTOIA 2005 (foreign income: special rules), after Chapter 4 insert –

#### “CHAPTER 5

##### RELIEF FOR NEW RESIDENTS ON FOREIGN INCOME

#### 845A Claim for relief for qualifying new residents

- (1) An individual may make a claim for relief for a tax year under this section (a “foreign income claim”) if the individual is a qualifying new resident for that year (see section 845B).
- (2) Where an individual makes a foreign income claim for a tax year, the individual is entitled to relief for the tax year that is equal to so much of the total income of the individual for that year as –
  - (a) reflects qualifying foreign income (see section 845F), and
  - (b) is identified as such in the claim.
- (3) The relief is given by deducting the amount of the relief in calculating the individual's net income for the tax year (see Step 2 of the calculation in section 23 of ITA 2007).
- (4) A foreign income claim must be made in a return.
- (5) A foreign income claim in relation to a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.
- (6) A foreign income claim may not be made as a consequential claim (within the meaning of section 43C(5) of TMA 1970) if the circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual's behalf.
- (7) See also –
  - (a) Chapter 5C of Part 2 of ITEPA 2003 which provides for a claim for relief that may be made in respect of foreign employment income where a foreign employment election is made), and
  - (b) Schedule D1 to TCGA 1992 which provides for a claim for relief that may be made in respect of foreign gains (a foreign gain claim).

- (8) Sections 845C and 845D set out some income tax consequences of a foreign income claim, a foreign employment election or a foreign gain claim.
- (9) See also section 1K of TCGA 1992, which provides for the loss of an individual’s annual exempt amount for capital gains tax where a foreign income claim, a foreign employment election or a foreign gain claim is made.
- (10) In this section –
  - (a) “return” means a return under section 8 of TMA 1970 (personal return), and
  - (b) references in this section to a claim being included in a return include a claim being so included as a result of an amendment of the return.

#### **845B Qualifying new residents**

- (1) For the purposes of this Chapter, an individual is a qualifying new resident for a tax year if –
  - (a) the individual is UK resident for that tax year,
  - (b) the individual is not disqualified for that tax year, and
  - (c) for each of the 10 tax years before that tax year, the individual was not UK resident.
- (2) An individual is also a qualifying new resident for a tax year if –
  - (a) the individual is UK resident for that tax year,
  - (b) the individual is not disqualified for that tax year, and
  - (c) that tax year is one of the next three tax years after a qualifying tax year in relation to the individual.
- (3) A tax year is a qualifying tax year in relation to an individual if –
  - (a) the individual was a qualifying new resident for that tax year as a result of subsection (1),
  - (b) the individual would have been a qualifying new resident for that tax year as a result of that subsection, but was not only as a result of the individual being disqualified for that tax year, or
  - (c) the tax year –
    - (i) is the tax year 2022-23, 2023-24 or 2024-25, and
    - (ii) is a tax year to which paragraph (a) or (b) would have applied in relation to the individual had this section had effect for that tax year.
- (4) An individual is disqualified for a tax year if the individual would, for the purposes of section 41 of the Constitutional Reform and Governance Act 2010, be regarded as –

- (a) a member of the House of Commons for any part of that tax year, or
- (b) a member of the House of Lords for any part of that tax year.

**845C Effect of claim, or other foreign relief claim, on losses**

- (1) Subsection (2) applies where –
  - (a) a foreign income claim, a foreign employment election or a foreign gain claim has effect in relation to an individual for a tax year who carries on a relevant business wholly outside the United Kingdom,
  - (b) the individual has a loss for that tax year from the relevant business, and
  - (c) the profits (if there were any) of the business would be qualifying foreign income for that year.
- (2) No relief for that loss is available in the tax year for which the claim is made or in any other tax year.
- (3) In this section “relevant business” means –
  - (a) a trade, profession or vocation, or
  - (b) a property business.

**845D Effect of claim, foreign employment election or foreign gain claim on personal allowance etc**

Where a foreign income claim, a foreign employment election or a foreign gain claim has effect in relation to an individual for a tax year, the individual is not entitled, for that year, to –

- (a) any allowance under Chapter 2 of Part 3 of ITA 2007 (personal allowance and blind person's allowance),
- (b) any tax reduction under Chapter 3 of that Part (tax reductions for married couples and civil partners),
- (c) any tax reduction under Chapter 3A of that Part (transferable tax allowance for married couples and civil partners), or
- (d) any relief under section 457 or 458 (payments for life insurance etc) of ITA 2007.

**845E Foreign income relief ignored for purposes of determining adjusted net income**

- (1) Subsection (2) applies for the purpose of determining the adjusted net income under section 58 of ITA 2007 of an individual for a tax year for which the individual has made a foreign income claim.
- (2) The adjusted net income is to be determined as if the relief allowed by the claim had not been deducted in calculating the individual's net income for the tax year.

### 845F Qualifying foreign income

Income is qualifying foreign income if it—

- (a) falls within a description set out in the following table, and
- (b) is not disqualified income (see section 845G).

No.	Description
1	Profits of a trade carried on wholly outside the United Kingdom (see Chapter 2 of Part 2).
2	A UK resident partner's share of the profits of a trade carried on by the firm wholly outside the United Kingdom.
3	Profits of an overseas property business.
4	Adjustment income (within the meaning of Chapter 17 of Part 2) in respect of a trade carried on wholly outside the United Kingdom (see that Chapter).
5	Income chargeable under Chapter 2 of Part 4 (interest) that arises from a source outside the United Kingdom.
6	Income chargeable under Chapter 4 of Part 4 (dividends from non-UK resident companies).
7	Income chargeable under Chapter 7 of Part 4 (purchase life annuity payments) that arises from a source outside the United Kingdom.
8	Income chargeable under Chapter 8 of Part 4 (profits from deeply discounted securities) that arises from a source outside the United Kingdom.
9	Income chargeable under section 579 (royalties and other income from intellectual property) that arises from a source outside the United Kingdom.
10	Income chargeable under Chapter 3 of Part 5 (films and sound recordings: non-trading businesses) that arises from a source outside the United Kingdom.
11	Income chargeable under Chapter 4 of Part 5 (certain telecommunication rights: non-trading income) that arises from a source outside the United Kingdom.
12	Income that arises from a source outside the United Kingdom and that is treated as arising to an individual under section 624 or 629 (income arising under settlement attributed to settlor).

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13	Income treated as arising to an individual under section 643A (benefits paid out of protected income).
14	Income chargeable under section 649 (estate income) that arises from a source outside the United Kingdom.
15	Income chargeable under Chapter 7 of Part 5 (annual payments not otherwise charged) that arises from a source outside the United Kingdom.
16	Income chargeable under Chapter 8 of Part 5 (income not otherwise charged) that arises from a source outside the United Kingdom.
17	Accrued income profits (within the meaning of Part 12 of ITA 2007) made by an individual as a result of a transfer of securities if income from the securities would be qualifying foreign income.
18	Income treated as arising under regulation 17 of the Offshore Funds (Tax) Regulations 2009 (offshore income gains).
19	Income that is treated as arising to an individual under section 721, 728 or 732 of ITA 2007 (transfer of assets abroad: deemed income) and that is “foreign” for the purposes of (respectively) section 726, 730 or 735 of that Act.
20	Pension income that arises from a source outside the United Kingdom (see Part 9 of ITEPA 2003).
21	A benefit to which section 678 of ITEPA 2003 applies (foreign social security benefits).
22	The foreign proportion (see paragraph 46 of Schedule 2 to FA 2022) of income arising as a result of the payment of interest, or the making of a distribution or qualified distribution (within the meaning of paragraph 45(5) of that Schedule), by a QAHIC (within the meaning of that Schedule).

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### 845G Disqualified income

Income is disqualified income if—

- (a) it is income of a settlement (within the meaning of Chapter 5 of Part 5) arising in the tax year 2024-25 or an earlier tax year that is treated as arising in tax year 2025-26 or a later year as a result of section 648(3) to (5),

- (b) it is income arising from a security treated as situated in the United Kingdom as a result of section 138ZB of TCGA 1992 (share exchanges involving non-UK incorporated close companies)
- (c) it is income chargeable to income tax as a result of section 809AZB of ITA 2007 (transferred income streams),
- (d) it is performance income (see section 845H), or
- (e) it is income from a pension to which section 629 of ITEPA 2003 applies (pre-1973 pensions paid under the Overseas Pensions Act 1973), or
- (f) it is a payment made to or in respect of—
  - (i) a relieved member of a relevant non-UK scheme (within the meaning of Schedule 34 to FA 2004), or
  - (ii) a transfer member of such a scheme,
 to which the member payment provisions (within the meaning of that Schedule) apply.

#### **845H Performance income**

- (1) Performance income is any income chargeable to income tax (however that charge arises) that results, directly or indirectly, from the performance of a relevant activity by a performer (whether performed in the United Kingdom or not).
- (2) “Performer” means any individual who gives performances of entertainment or sport.
- (3) For the purposes of this section “performances of entertainment or sport” includes any activity of a physical kind performed by an individual (alone or with others) which is or may be made available to the public or any section of the public, whether for payment or not.
- (4) The following are “relevant activities”—
  - (a) the giving of a performance of entertainment or sport;
  - (b) the participation of the performer in any sound or video recording;
  - (c) any activity in connection with a commercial occasion or event (including the appearance of the performer in connection with the occasion or event).
- (5) The reference to a commercial occasion or event includes any description of occasion or event—
  - (a) for which any person might receive or become entitled, as a result of anything done by the performer, to receive anything by way of cash or any other form of property; or
  - (b) which is designed to promote commercial sales or activity by advertising, the endorsement of goods or services, sponsorship, or other promotional means of any kind.”

## (2) In ITA 2007 –

## (a) in section 24 (reliefs deductible at Step 2, in subsection (1)(a)) –

## (i) at the end insert –

“section 845A of ITTOIA 2005 (claim for relief for qualifying new residents), and”, and

## (ii) at the end of the entry for section 193(4) of FA 2004, omit the “and”,

## (b) in section 2 (personal allowance and blind person’s allowance) for subsection (3) substitute –

## “(3) See also –

(a) section 809G, in relation to tax years before 2025-26 where a claim for the remittance basis to apply is made, and

(b) section 845C of ITTOIA 2005, in relation to tax years from 2025-26 where a foreign income claim, a foreign employment election or a foreign gain claim is made.

Those sections provide that where such a claim has effect in relation to an individual, the individual is not entitled to any allowance under this Chapter.”,

## (c) in section 55A (transferable tax allowance for married couples and civil partners) for subsection (3) substitute –

## “(3) See also –

(a) section 809G, in relation to tax years before 2025-26 where a claim for the remittance basis to apply is made, and

(b) section 845C of ITTOIA 2005, in relation to tax years from 2025-26 where a foreign income claim, a foreign employment election or a foreign gain claim is made.

Those sections provide that where such a claim has effect in relation to an individual, the individual is not entitled to any tax reduction under this Chapter.”,

## (d) in section 460 (residence of claimants for relief under section 457 or 458) for subsection (4) substitute –

## “(4) See also –

(a) section 809G, in relation to tax years before 2025-26 where a claim for the remittance basis to apply is made, and

(b) section 845C of ITTOIA 2005, in relation to tax years from 2025-26 where a foreign income claim, a foreign employment election or a foreign gain claim is made.

Those sections provide that where such a claim has effect in relation to an individual, the individual is not entitled to any relief under section 457 or 458.”,

- (e) in section 809EZA (disguised investment management fees: charge to income tax) –
  - (i) in subsection (2A), for paragraphs (d) and (e) substitute –
    - “(d) the individual makes a foreign income claim for the relevant tax year.”, and
  - (ii) in subsection (2C), for “before the end of the period of non-residence” substitute “in any period –
    - (a) ending immediately before a qualifying tax year in relation to the individual (within the meaning of section 845B(3) of ITTOIA (qualifying new residents)), and
    - (b) that consists only of tax years for which the individual is not UK resident.”, and
- (f) in section 989 (the definitions), at the appropriate places insert –
  - ““foreign income claim” means a claim under section 845A of ITTOIA 2005”;
  - ““qualifying new resident” has the meaning it has in Chapter 5 of Part 8 of ITTOIA 2005 (see section 845B of that Act).”
- (3) In paragraph 46 of Schedule 2 to FA 2022 (qualifying asset holding companies) –
  - (a) in the heading for “applies” substituted “applied or who makes a foreign income claim”,
  - (b) in sub-paragraph (1) –
    - (i) in the words before paragraph (a), for “This paragraph applies” substitute “Sub-paragraphs (2) and (3) apply”, and
    - (ii) in paragraph (a), for “applies” substitute “applied”, and
  - (c) after sub-paragraph (6) insert –
    - “(6A) Sub-paragraphs (4) to (6) also apply for the purposes of item 22 in the table in section 845F of ITTOIA 2005 (qualifying foreign income for the purposes of foreign income claim).”
- (4) The amendments made by this section have effect for the tax year 2025-26 and subsequent tax years.

## 2 Claim for relief on foreign employment income

- (1) In Part 2 of ITEPA 2003 (employment income: charge to tax), after Chapter 5B insert—

### “CHAPTER 5C

#### RELIEF FOR NEW RESIDENTS ON FOREIGN EMPLOYMENT INCOME

##### *Foreign employment election*

#### **41M Foreign employment election for qualifying new residents**

- (1) This Chapter applies if an individual is a qualifying new resident for a tax year (the “qualifying year”).
- (2) An individual is a qualifying new resident for a tax year for the purposes of this Chapter if the individual is a qualifying new resident for the tax year for the purposes of Chapter 5 of Part 8 of ITTOIA 2005 (see section 845B of that Act).
- (3) The individual may make an election for the qualifying year under this section (“a foreign employment election”).
- (4) Section 41P makes provision about a claim for relief—
  - (a) which an individual can make for the qualifying year or any subsequent tax year, where the individual has made a foreign employment election, and
  - (b) which entitles the individual to relief in that year calculated by reference to employment income that is in respect of the qualifying year.
- (5) Sections 41Q (amount of relief available) and 41R (limit on relief) set out how to determine the amount of relief to which the individual is entitled.
- (6) See also—
  - (a) sections 845C and 845D of ITTOIA 2005, which set out some income tax consequences of a foreign employment election, and
  - (b) section 1K of TCGA 1992, which provides for the loss of the individual’s annual exempt amount for capital gains tax where a foreign employment election is made.
- (7) A foreign employment election must be made in a return.
- (8) A foreign employment election for the qualifying year must be made before the end of the period of 12 months beginning with 31 January after the end of the qualifying year.
- (9) A foreign employment election may not be made as a consequential claim (within the meaning of section 43C(5) of TMA 1970) if the

circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual's behalf.

- (10) In this Chapter “return” means a return under section 8 of TMA 1970 (personal return).

### *Key definitions*

#### **41N Key definitions**

- (1) This section sets out some definitions that apply for the purposes of this Chapter.
- (2) “Qualifying employment income” means –
  - (a) qualifying general earnings,
  - (b) qualifying third party income, and
  - (c) qualifying securities income.
- (3) “Qualifying foreign employment income” means –
  - (a) qualifying foreign general earnings,
  - (b) qualifying foreign third party income, and
  - (c) qualifying foreign securities income.
- (4) Section 41T defines what it means –
  - (a) for general earnings to be “qualifying general earnings”, and
  - (b) for qualifying general earnings to be “qualifying foreign general earnings”.
- (5) Section 41U defines what it means –
  - (a) for third party income to be “qualifying third party income”, and
  - (b) for qualifying third party income to be “qualifying foreign third party income”.
- (6) Section 41V defines what it means –
  - (a) for securities income to be “qualifying securities income”, and
  - (b) for qualifying securities income to be “qualifying foreign securities income”.

### *Claim for relief*

#### **41P Claim for relief for qualifying new residents**

- (1) Where an individual has made a foreign employment election, the individual may make a claim for relief for the qualifying year or any subsequent tax year (“a foreign employment relief claim”).

- (2) Where an individual makes a foreign employment relief claim for a tax year, the individual is entitled to relief that is equal to so much of the net taxable employment income for that year as –
  - (a) reflects qualifying foreign employment income (see section 41Q), and
  - (b) is identified as such in the claim.
- (3) But subsection (2) only applies to the extent the total amount of the relief given does not exceed the limit (see section 41R).
- (4) The relief is given by deducting the amount of the relief in calculating the individual's net income for the tax year for which the claim is made (see Step 2 of the calculation in section 23 of ITA 2007).
- (5) A foreign employment relief claim must be made in a return.
- (6) A foreign employment relief claim for a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.
- (7) A foreign employment relief claim may not be made as a consequential claim (within the meaning of section 43C(5) of TMA 1970) if the circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual's behalf.
- (8) For the purposes of this Chapter “net taxable employment income”, in relation to a tax year, means the employment income on which the individual is charged to tax for the tax year (see section 9(1)).

#### **41Q Amount of relief available**

- (1) For the purposes of section 41P(2), the amount of net taxable employment income for a tax year that “reflects” qualifying foreign employment income is the total of –
  - (a) the total of the amount of the net taxable earnings from each employment in the tax year that reflects qualifying foreign general earnings (see subsections (2) to (5)), and
  - (b) the total of the amount of the net taxable specific income from each employment for the tax year that reflects qualifying foreign third party income or qualifying foreign securities income (see subsection (6)).
- (2) The amount of the net taxable earnings from an employment in a tax year that “reflects” qualifying foreign general earnings is –
  - (a) the amount of the taxable earnings from the employment in the tax year that are qualifying foreign general earnings, minus
  - (b) the amount of the qualifying deductions.

- (3) If the amount calculated under subsection (2) is nil or a negative amount, then none of the net taxable earnings from the employment in the tax year reflect qualifying foreign general earnings.
- (4) If the foreign employment relief claim is for the qualifying year, the amount of the qualifying deductions is the proportion of the total deductions that is the same as the proportion of the claim year taxable earnings that are qualifying foreign general earnings.
- (5) If the foreign employment relief claim is for a subsequent tax year, the amount of the qualifying deductions is the amount resulting from the following steps—

*Step 1*

Deduct the claim year taxable earnings from the total deductions.  
 If the result is nil or a negative amount, there are no qualifying deductions.

*Step 2*

Deduct any other taxable earnings that are not qualifying foreign general earnings.  
 If the result is nil or a negative amount, there are no qualifying deductions.

- (6) The proportion of the net taxable specific income from an employment for a tax year that “reflects” qualifying foreign third party income or qualifying foreign securities income is the same as the proportion of the taxable specific income for the employment in that year that is qualifying foreign third party income or qualifying foreign securities income.
- (7) In this section—
  - “claim year taxable earnings” means the taxable earnings from the employment in the tax year that are “for” the year for which the claim is made determined in accordance with section 16 and 17;
  - “total deductions” means the total amount of any deductions allowed from the taxable earnings from the employment in the tax year under provisions listed in section 327(3) to (5) (see section 11(1)).

#### **41R Limit on relief**

- (1) This section sets out how to determine the limit on the amount of relief the individual is entitled to when making a foreign employment relief claim for a year for the purposes of section 41P(3).
- (2) The limit is the lesser of—
  - (a) 30% of the relevant qualifying employment income, and
  - (b) £300,000.

- (3) For the purposes of this section “relevant qualifying employment income” means –
- (a) so much of the net taxable employment income for the tax year for which the claim is made as reflects qualifying employment income, and
  - (b) if the foreign employment relief claim is for a tax year that is subsequent to the qualifying year, so much of any net taxable employment income for any earlier tax year (but not any tax year before the qualifying year) as reflects qualifying employment income.
- (4) If the foreign employment relief claim is for a tax year that is subsequent to the qualifying year, the limit is reduced by the total of any amounts reflecting qualifying foreign employment income that have previously been relieved under section 41P.
- (5) To determine the amounts mentioned in subsection (3)(a) and (b), apply section 41Q, but as if –
- (a) the references in that section to qualifying foreign employment income were to qualifying employment income,
  - (b) the references in that section to qualifying foreign general earnings were to qualifying general earnings, and
  - (c) the references in that section to qualifying foreign third party income and qualifying foreign securities income were references to qualifying third party income and qualifying securities income.

#### **41S Foreign employment relief ignored for purposes of determining adjusted net income**

- (1) Subsection (2) applies for the purpose of determining the adjusted net income under section 58 of ITA 2007 of an individual for a tax year for which the individual is entitled to relief under section 41P.
- (2) The adjusted net income is to be determined as if the relief had not been deducted in calculating the individual’s net income for the tax year.

#### *Qualifying foreign employment income*

#### **41T Qualifying foreign general earnings**

- (1) General earnings are “qualifying general earnings” if they are –
  - (a) “for” the qualifying year determined in accordance with sections 16 and 17,
  - (b) if the qualifying year is a split year as respects the individual, attributable to the UK part of the year, and

- (c) from an employment the duties of which are performed wholly or partly outside the UK during the qualifying year.
- (2) Any attribution required for the purposes of subsection (1)(b) is to be done on a just and reasonable basis.
- (3) Qualifying general earnings are “qualifying foreign general earnings” if they are neither –
  - (a) in respect of duties performed in the United Kingdom, nor
  - (b) from overseas Crown employment subject to United Kingdom tax (see section 41W).
- (4) The extent to which qualifying general earnings are in respect of duties performed in the United Kingdom is to be determined on a just and reasonable basis.

#### **41U Qualifying foreign third party income**

- (1) For the purposes of this Chapter, “third party income” is an amount that counts under Chapter 2 of Part 7A (treatment of relevant step for income tax purposes) as employment income in respect of an employment.
- (2) Third party income is “qualifying third party income” –
  - (a) if it is in respect of an employment the duties of which are performed wholly or partly outside the UK during the qualifying year, and
  - (b) to the extent that the value of the relevant step that counts as employment income (see section 554Z3) is –
    - (i) “for” the qualifying year determined in accordance with section 554Z4(2), and
    - (ii) if the qualifying year is a split year as respects the individual, attributable to the UK part of the year.
- (3) Any attribution required for the purposes of subsection (2)(b)(ii) is to be done on a just and reasonable basis.
- (4) Qualifying third party income is “qualifying foreign third party income” to the extent that it is not in respect of duties performed in the United Kingdom.
- (5) The extent to which qualifying third party income is not in respect of duties performed in the United Kingdom is to be determined on a just and reasonable basis.

#### **41V Qualifying foreign securities income**

- (1) For the purpose of this Chapter, “securities income” is an amount that counts under Chapters 2 to 5 of Part 7 (employment-related securities

- etc) as employment income in respect of an employment (the “relevant employment”).
- (2) Securities income is “qualifying securities income” –
- (a) if the duties of the relevant employment are performed wholly or partly outside the UK during the qualifying year and to the extent that it, and
  - (b) to the extent that it –
    - (i) accrues during the qualifying year, or
    - (ii) if the qualifying year is a split year as respects the individual, accrues during the UK part of the year.
- (3) To determine when securities income accrues treat an equal amount of the securities income as accruing on each day of the relevant period determined in accordance with section 41G.
- (4) But if the proportion of the securities income that would be regarded as qualifying securities income by virtue of subsection (3) is not, having regard to all the circumstances, just and reasonable, the amount of the securities income that is qualifying securities income is such amount as is just and reasonable.
- (5) Qualifying securities income is wholly “qualifying foreign securities income” if the duties of the relevant employment are performed wholly outside the United Kingdom.
- (6) If some, but not all, of the duties of the relevant employment are performed outside the United Kingdom –
- (a) the qualifying securities income is to be apportioned (on a just and reasonable basis) between duties performed in the United Kingdom and duties performed outside the United Kingdom, and
  - (b) the income apportioned in respect of duties performed outside the United Kingdom is qualifying foreign securities income.
- (7) But qualifying securities income from overseas Crown employment subject to United Kingdom tax is not qualifying foreign securities income.

#### **41W Meaning of “overseas Crown employment subject to UK tax”**

- (1) This section explains what is meant by –
- (a) qualifying general earnings “from overseas Crown employment subject to United Kingdom tax” for the purposes of section 41T(3)(b), and
  - (b) qualifying securities income “from overseas Crown employment subject to United Kingdom tax” for the purposes of section 41V(7).

- (2) Qualifying general earnings and qualifying securities income are “from overseas Crown employment” if the earnings or income is from Crown employment (within the meaning of section 28(2)) in respect of duties performed outside the United Kingdom.
- (3) Such earnings or income are to be taken as being “subject to United Kingdom tax” unless they fall within any exception contained in an order made under section 28(5) for the purposes of section 27(2).
- (4) An order made under section 28(5) may also—
  - (a) provide for any exceptions mentioned in subsection (3) to not apply for the purposes of this section, and
  - (b) make exceptions for the purposes of this section.
- (5) For the purposes of this section, if securities income is partly from overseas Crown employment subject to United Kingdom tax, a just and reasonable proportion of the securities income is to be taken to be from such employment.

#### **41X Location of employment duties**

- (1) Section 38 (period of absence from employment) applies for the purposes of this Chapter as if references to general earnings were to general earnings or third party income.
- (2) Section 40(1) and (2) (place of performance of duties on board vessel or aircraft) applies for the purposes of this Chapter.
- (3) Duties of an employment performed in the UK sector of the continental shelf in connection with exploration or exploitation activities are to be treated for the purposes of this Chapter as being performed in the United Kingdom.
- (4) In subsection (3) “the UK sector of the continental shelf” and “exploration or exploitation activities” have the same meaning as in section 41 (treatment of general earnings from employment in the UK sector of the continental shelf).

*Other rules for determining amounts of qualifying foreign employment income*

#### **41Y Artificial arrangements to be disregarded**

- (1) Any arrangements falling within subsection (2) are to be disregarded for the purposes of determining the extent to which—
  - (a) general earnings are qualifying general earnings;
  - (b) third party income is qualifying third party income;
  - (c) securities income is qualifying securities income;

- (2) Arrangements fall within this subsection if the main purpose, or one of the main purposes of the arrangements is to enable an individual to obtain—
  - (a) relief under this Chapter to which they would not otherwise be entitled, or
  - (b) relief under this Chapter of a greater amount than that to which they would otherwise be entitled.
- (3) In this section “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

#### **41Z Limit on qualifying foreign employment income from associated employments**

- (1) This section applies if—
  - (a) the individual has associated employments from or in respect of which there is qualifying employment income, and
  - (b) the duties of the associated employments are not performed wholly outside the United Kingdom.
- (2) There is a limit on how much of the qualifying employment income from or in respect of the associated employments is qualifying foreign employment income.
- (3) The limit is the proportion of the qualifying employment income that is reasonable having regard to—
  - (a) the nature of, and time devoted to, the duties performed outside the United Kingdom, and those performed in the United Kingdom, and
  - (b) all other relevant circumstances.
- (4) In this section “associated employments” means employments with the same employer or with associated employers; and section 24(5) and (6) applies for the purposes of this section.”
- (2) In Schedule 1—
  - (a) Part 1 makes general consequential amendments;
  - (b) Part 2 makes consequential amendments relating to the operation of PAYE;
  - (c) Part 3 contains transitional provision.
- (3) The amendments made by this section and the provision made by Schedule 1 have effect for the tax year 2025-2026 and subsequent tax years.

### **3 Claim for relief on foreign gains**

- (1) TCGA 1992 is amended as follows.

## (2) Before Schedule 1 insert –

## “SCHEDULE D1

Section 1A(2)(za)

## RELIEF FOR NEW RESIDENTS ON FOREIGN GAINS

*Claim for relief for qualifying new residents*

- 1 (1) An individual may make a claim for relief for a tax year under this paragraph (a “foreign gain claim”) if the individual is a qualifying new resident for that tax year.
- (2) Paragraphs 2, 3 and 4 set out the reliefs that may be obtained by making a foreign gain claim.
- (3) A foreign gain claim must be made in a return.
- (4) A foreign gain claim in relation to a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.
- (5) A foreign gain claim may not be made as a consequential claim (within the meaning of section 43C(5) of TMA 1970) if the circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual’s behalf.
- (6) In this paragraph –
  - (a) “return” means a return under section 8 of TMA 1970 (personal return), and
  - (b) references in this paragraph to a claim being included in a return include a claim being so included as a result of an amendment of the return.

*Relief for qualifying foreign gains*

- 2 (1) Where an individual makes a foreign gain claim for a tax year, the individual is entitled to relief for each qualifying foreign gain accruing to the individual in that year that is identified in the claim.
- (2) The relief is given by deducting an amount equal to the sum of those gains from the total amount of chargeable gains accruing to the individual.

*Relief in respect of deemed gains under section 86*

- 3 (1) This paragraph applies if –
  - (a) an amount of chargeable gains would (but for this paragraph) be treated as accruing to an individual in a tax year under section 86(4) (attribution of gains to settlors of non-resident settlements),

- (b) a qualifying foreign gain accrued in that tax year to the trustees of the settlement concerned (or would have done on the assumption in section 86(3)), and
  - (c) the individual identifies the gain mentioned in paragraph (b) in a foreign gain claim for that tax year.
- (2) For the purposes of section 86(1)(e) as it applies to the individual, the following are to be disregarded (in that tax year and in later tax years) –
- (a) the gain mentioned in sub-paragraph (1)(b);
  - (b) any qualifying foreign loss that accrued to the trustees in that tax year (or that would have so accrued on the assumption in section 86(3)).

*Relief in respect of deemed gains under section 87 and Schedule 4C*

- 4 (1) This paragraph applies if –
- (a) a settlement is for a tax year –
    - (i) one to which section 87 applies (attribution of gains to beneficiaries of non-resident settlements), or
    - (ii) a relevant settlement in relation to a Schedule 4C pool, within the meaning of paragraph 8A of Schedule 4C (transfers of value: attribution of gains etc),
  - (b) a beneficiary of the settlement receives a capital payment from the trustees in that tax year, and
  - (c) the individual identifies the capital payment in a foreign gain claim for that tax year.
- (2) The capital payment is to be disregarded (in that tax year and in later tax years) for the purposes of sections 87 and 87A and paragraph 8 of Schedule 4C.
- (3) The following apply for the purposes of this paragraph as they apply for the purposes of section 87 –
- (a) section 87G (which provides for capital payments made to a close member of the settlor’s family to be treated in certain cases as received by the settlor);
  - (b) section 97 (which makes provision about the construction of “capital payment”, “settlement”, “trustees” and “beneficiary”).

*Other effects of claim*

- 5 For other effects of making a foreign gain claim, see –
- (a) section 1K(6)(b) (annual exempt amount), which provides that where a foreign gain claim has effect in relation to an individual for a tax year, the individual has no entitlement to an annual exempt amount for that year,

- (b) section 16(4) (computation of losses), which provides that where a foreign gain claim has effect in relation to an individual for a tax year, qualifying foreign losses accruing to the individual in that year are not allowable losses, and
- (c) sections 845C and 845D of ITTOIA 2005, which set out some income tax consequences of making a foreign gain claim.

### *Interpretation of Schedule*

6 In this Schedule –

“qualifying foreign asset” means an asset that –

- (a) is situated outside the United Kingdom, and
- (b) does not derive at least 75% of its value from UK land (see Schedule 1A);

“qualifying foreign gain” means –

- (a) a chargeable gain accruing on the disposal of a qualifying foreign asset,
- (b) a chargeable gain treated as accruing as a result of section 3 (gains of non-UK resident close companies attributed to UK residents) where the gain accruing to the non-UK resident close company to which the deemed gain relates accrued on the disposal of a qualifying foreign asset, or
- (c) a qualifying QAHC gain,

but a chargeable gain falling within paragraph (a) or (b) is not a qualifying foreign gain if it is a gain to which paragraph 1(2) of Schedule 1 applies (pre-2025-26 gains subject to the remittance basis);

“qualifying foreign loss” means a loss accruing on the disposal of an asset that is a qualifying foreign asset;

“qualifying QAHC gain” means the foreign proportion (see paragraph 46(4) to (6) of Schedule 2 to FA 2022) of a chargeable gain accruing on the disposal of shares in a QAHC (within the meaning of that Schedule) other than a chargeable gain to which paragraph 46(3) of that Schedule applies.”

- (3) In section 1A (territorial scope), in subsection (2), before paragraph (a) insert –
  - “(za) Schedule D1 (relief for new residents on foreign gains),”.
- (4) In section 1E (losses deductible only when within scope of tax), in subsection (6), for “Schedule 1 (UK resident individuals not domiciled in the UK)” substitute “paragraph 5 of Schedule D1 (relief for new residents on foreign gains).”
- (5) In section 1K (annual exempt amount), in subsection (6) –
  - (a) the words from “section” to the end become paragraph (a) of that subsection, and

- (b) after that paragraph insert “, or
- (b) a foreign gain claim, a foreign income claim or a foreign employment election has effect in relation to the individual for that tax year.”
- (6) In section 16 (computation of losses), at the end insert –
- “(4) A qualifying foreign loss accruing to an individual in a tax year is not an allowable loss if a foreign gain claim, a foreign income claim or a foreign employment election has effect in relation to the individual for that tax year.
- (5) In subsection (4), “qualifying foreign loss” has the same meaning as in Schedule D1 (see paragraph 6 of that Schedule).”
- (7) In section 288 (interpretation), in subsection (1) at the appropriate places insert –
- ““foreign employment election” means a claim under section 41M of ITEPA 2003;”;
- ““foreign gain claim” means a claim under paragraph 1 of Schedule D1;”;
- ““foreign income claim” means a claim under section 845A of ITTOIA 2005;”;
- ““qualifying new resident” has the meaning given by section 845B of ITTOIA 2005 (which sets out the circumstances in which an individual will be a qualifying new resident following a period of 10 years of non-residence);”.
- (8) In Schedule 1A, in paragraph 1, after “2B(4)(b)” insert “or paragraph 6 of Schedule D1”.
- (9) In Schedule 1C (annual exempt amount in cases involving settled property), in paragraph 1(4), for the words from “who” to the end substitute “to whom subsection (6) of that section does not apply.”
- (10) In Schedule 2 to FA 2022 (qualifying asset holding companies), in paragraph 46 –
- (a) in the heading (as amended by section 1(3)(a)), after “income” insert “or gain”, and
- (b) in sub-paragraph (6A) (as inserted by section 1(3)(c)), after “claim)” insert “and paragraph (c) of the definition of “qualifying foreign gain” in paragraph 6 of Schedule D1 to TCGA 1992 (foreign gain claims)”.
- (11) The amendments made by this section have effect for the tax year 2025-26 and subsequent tax years.

## CHAPTER 2

### ENDING THE SPECIAL TREATMENT OF INDIVIDUALS NOT DOMICILED IN UNITED KINGDOM

#### **4 Remittance basis not available after tax year 2024-25**

- (1) Amendments made by paragraph 1 of Schedule 2 have the effect that the remittance basis is not available for tax year 2025-26, or for subsequent tax years.
- (2) But provisions relating to the remittance of income and gains will continue to have effect in relation to income and gains subject to the remittance basis in previous tax years.
- (3) Other provision is made by that Schedule (including provision amending the Income Tax Acts and TCGA 1992) –
  - (a) in consequence of ending the availability of the remittance basis,
  - (b) clarifying the circumstances in which amounts are remitted (see paragraph 5), and
  - (c) in connection with otherwise ending the relevance of domicile to income tax and capital gains tax.
- (4) Subject to subsection (5), the provision made by that Schedule has effect for the tax year 2025-26 and subsequent tax years.
- (5) The amendments made by paragraphs 7 and 8 of Schedule 2 (residence of personal representatives) have effect where the deceased person died on or after 6 April 2025.

#### **5 Temporary repatriation facility**

Schedule 3 makes provision for a “temporary repatriation facility” for individuals who have been subject to the remittance basis.

#### **6 Rebasing of assets**

- (1) Schedule 4 makes provision about the rebasing of assets for individuals who have been subject to the remittance basis.

## CHAPTER 3

### TRUSTS ETC

#### **7 Trusts: connected amendments, transitional provision etc**

- (1) Schedule 5 amends legislation relating to the taxation of income and gains arising within trusts and similar structures, and in particular –
  - (a) contains amendments connected with the introduction of relief for qualifying new residents and the abolition of the remittance basis of taxation (see Chapters 1 and 2), and

- (b) removes certain protections for foreign-source income and gains that have been available since the tax year 2017-18 and makes transitional provision in respect of income that arose in past tax years.
- (2) In that Schedule—
  - Part 1 amends Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor or family);
  - Part 2 amends Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad);
  - Part 3 amends Chapter 2 of Part 3 of TCGA 1992 (settlements: chargeable gains) and other provisions of TCGA 1992 relating to trusts;
  - Part 4 contains provision about commencement and transitional provision.

## CHAPTER 4

### INHERITANCE TAX

#### 8 Excluded property: domicile test replaced with long-term residence test

- (1) IHTA 1984 is amended as follows.
- (2) In section 6 (excluded property), in subsections (1) and (1A), for “domiciled outside the United Kingdom” substitute “who is not a long-term UK resident”.
- (3) After section 6 insert—

##### “6A “Long-term UK resident”: individuals

- (1) For the purposes of this Act, an individual is a “long-term UK resident” at all times in a tax year if they were UK resident for at least 10 of the previous 20 tax years.
- (2) But an individual is not a long-term UK resident at any time in a tax year (“the current tax year”) if they were non-UK resident—
  - (a) for any 10 consecutive tax years during the 19 tax years before the current tax year, or
  - (b) for at least the required number of consecutive tax years ending with the tax year before the current tax year.
- (3) To determine “the required number” for the purposes of subsection (2)(b), take the 20 tax years ending with the last tax year for which the individual was UK resident and find the number of those tax years for which the individual was UK resident (“the number of resident years”).

The required number is the number in the second column of the following table corresponding to the number of resident years.

Number of resident years	Required number
13 or less	3

Number of resident years	Required number
14	4
15	5
16	6
17	7
18	8
19	9
20	10

- (4) In this section, “UK resident” means resident in the United Kingdom and “non-UK resident” means not resident in the United Kingdom.
- (5) For the purposes of this section, a question as to whether the individual was UK resident for the tax year 2012-13 or an earlier tax year is to be determined as it would have been determined for income tax purposes for that tax year (and as to later tax years see Schedule 45 to the Finance Act 2013 (statutory residence test)).
- (6) See also –
- (a) section 6B (which modifies this section in its application to young persons);
  - (b) sections 267ZC to 267ZE (under which a person may be treated as a long-term UK resident as the result of an election).

**6B “Long-term UK resident”: young persons**

- (1) In the application of section 6A(1) for the purpose of determining whether a young person is a long-term UK resident at any time in a tax year (“the current tax year”), that subsection has effect as if –
- (a) for “20” there were substituted the number of whole tax years for which the person was alive before the current tax year, and
  - (b) for “10” there were substituted half the number mentioned in paragraph (a) (rounded up, if not a whole number, to the next whole number).
- (2) In subsection (1) “young person” means an individual who was under the age of 20 immediately before the current tax year.
- (3) An individual is not a long-term UK resident at any time in a tax year if they were under the age of 1 (or were not yet born) immediately before the tax year.

### **6C “Long-term UK resident”: bodies corporate**

For the purposes of this Act, a body corporate is a “long-term UK resident” at all times in a tax year if the body –

- (a) is incorporated in the United Kingdom, or
- (b) was (if in existence before the beginning of the tax year) within the charge to corporation tax on income at any time during the previous tax year by virtue of section 5(1) of the Corporation Tax Act 2009 (UK resident companies).”

- (4) This section comes into force on 6 April 2025.

## **9 Corresponding change for settled property**

- (1) IHTA 1984 is amended as follows.
- (2) In section 48 (excluded property) –
  - (a) in the heading, at the end insert “: reversionary interests and Treasury securities”;
  - (b) omit subsections (3) to (3F).
- (3) After section 48 insert –

### **“48ZA Excluded property: property situated outside the UK etc**

- (1) If property comprised in a settlement –
  - (a) is situated outside the United Kingdom, or
  - (b) is a holding in an authorised unit trust or a share in an open-ended investment company,this section applies to the property and section 6(1) and (1A) (general excluded property rule) does not.
- (2) If the settlor is alive, the property is excluded property at any time when the settlor is not a long-term UK resident.
- (3) If the settlor died on or after 6 April 2025, the property is excluded property if the settlor was not a long-term UK resident immediately before they died.
- (4) If the settlor died before 6 April 2025, the property is excluded property if the settlor was not domiciled in the United Kingdom when the property became comprised in the settlement.
- (5) Subsections (2) and (3) do not apply at any time to property to which section 49(1) applies (certain interests in possession) if, at that time, the person beneficially entitled to the interest is a long-term UK resident.
- (6) Subsections (2) to (4) do not apply to property if –
  - (a) an individual has been beneficially entitled to an interest in possession in the property –

- (i) at any time on or after 6 April 2025 while a long-term UK resident, or
  - (ii) at any time before that date while domiciled in the United Kingdom, and
  - (b) the entitlement arose directly or indirectly as a result of a disposition made on or after 5 December 2005 for a consideration in money or money's worth.
- (7) For the purposes of subsection (6)–
- (a) it is immaterial whether the consideration was given by the individual or by anyone else, and
  - (b) the cases in which an entitlement arose indirectly as a result of a disposition include any case where the entitlement arose under a will or the law relating to intestacy.
- (8) Where the conditions in paragraphs (a) to (d) of section 74A(1) (arrangements involving acquisition of interest in settled property etc) are satisfied, none of subsections (2) to (4) applies at the time when the conditions are first satisfied or at any later time to make the relevant settled property (within the meaning of section 74A) excluded property.
- (9) If–
- (a) an amount is payable in respect of property (“the existing property”) comprised in a settlement, and
  - (b) the amount represents an accumulation of income which (once accumulated) becomes comprised in the settlement,
- subsection (4) has effect, in the case of the amount, as if the reference to the time it became comprised in the settlement were to the time the existing property became comprised in the settlement.
- (10) Subsections (2) to (4) are subject to Schedule A1 (overseas property with value attributable to UK residential property).
- (11) The reference in subsection (1) to property comprised in a settlement does not include a reversionary interest in the property (and accordingly this section does not apply to such an interest and section 6(1) does).”
- (4) This section comes into force on 6 April 2025.

## 10 Consequential, connected and transitional provision

In Schedule 6–

Part 1 contains amendments to IHTA 1984 and related legislation that are consequential on, connected with or incidental to the new excluded property tests introduced by sections 8 and 9;

Part 2 contains provision about commencement and transitional provision.

## PART 2

### PAYE

#### 11 Application of PAYE in relation to internationally mobile employees

(1) For section 690 of ITEPA 2003 (employee non-resident etc) substitute—

**“690 PAYE for internationally mobile employees etc.**

- (1) This section applies in relation to an employee if the employee is internationally mobile at any time in any tax year (including any tax year before tax year 2025-2026).
- (2) An employee is “internationally mobile” at a time in a tax year if at that time the employee works or is likely to work both inside and outside the UK during the tax year (“the mobile tax year”) and at that time—
  - (a) the employee is or is likely to be non-UK resident for the mobile tax year, or
  - (b) the mobile tax year is or is likely to be a split year as respects the employee.
- (3) This section also applies in relation to an employee if—
  - (a) the employee worked both inside and outside the UK during a tax year that was before tax year 2025-2026 (the “mobile tax year”), and
  - (b) the employee met the requirement of section 26A for the mobile tax year or it appears likely to the employer that the employee met that requirement.
- (4) If the employer makes an uncertain payment to the employee at any time, the entire payment is to be treated for the purposes of PAYE regulations as a payment of PAYE income of the employee (but see section 690A(3) (employer notification for internationally mobile employees)).
- (5) For the purposes of this section, section 690A and section 690B, a payment made by the employer to the employee is an “uncertain payment”—
  - (a) if it is a payment of, or on account of, the income of the employee, and
  - (b) to the extent that—
    - (i) the employer is unable to ascertain the extent to which the income is PAYE income, and
    - (ii) the reason for the employer being unable to full ascertain that extent is connected to the employee being internationally mobile in the mobile tax year or the employee falling within subsection (3).

- 
- (6) Subsection (4) is without prejudice to—
    - (a) any assessment in respect of the income of the employee in question, and
    - (b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.
  - (7) For the purposes of this section and sections 690A to 690D—
    - (a) any reference to a payment made by the employer includes a reference to a payment made by a person acting on behalf of the employer and at the expense of the employer or a person connected with the employer, and
    - (b) in a case where section 689 or 689A applies, any reference to a payment made by the employer is to be read as a reference to a payment treated, for the purposes of PAYE regulations, as made by the relevant person.

#### **690A Employer notification for international mobile employees**

- (1) This section applies in relation to an employee if the employee is internationally mobile within the meaning of section 690(2) at any time in tax year 2025-2026 or a subsequent tax year (“the mobile tax year”).
- (2) The appropriate person may give notice to an officer of Revenue and Customs at any time during the mobile tax year that—
  - (a) the employer is proposing to treat a proportion of any uncertain payment made by the employer to the employee as not being PAYE income of the employee for the purposes of PAYE regulations, and
  - (b) setting out how the employer proposes to determine that proportion.
- (3) If a notice given under this section has effect, the proportion of any uncertain payment made by the employer to the employee during any tax year as determined in accordance with the notice is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income.
- (4) But if section 690C(4) (employer notification for qualifying new resident) also applies to a payment made by the employer, subsection (3) does not apply to the payment to the extent that it is a qualifying payment within the meaning of section 690C.
- (5) A notice given under this section—
  - (a) does not have effect if a direction has previously been given to the appropriate person under section 690B (direction by HMRC where employee internationally mobile) in relation to the employee and the mobile tax year;

- (b) otherwise, has effect when it is acknowledged by an officer of Revenue and Customs.
- (6) A notice given under this section ceases to have effect if—
  - (a) a direction under section 690B is given to the appropriate person in relation to the employee and the mobile tax year,
  - (b) a subsequent notice is given by the appropriate person under this section and is acknowledged by an officer of Revenue and Customs, or
  - (c) where the notice was given on the basis that the employee was likely to be a non-UK resident for the mobile tax year, a subsequent notice—
    - (i) is given by the appropriate person under section 690C (employer notification for qualifying new resident) on the basis that the employee is or is likely to be qualifying new resident in the mobile tax year, and
    - (ii) is acknowledged by an officer of Revenue and Customs.
- (7) A notice given under this section must be in such manner and form, and contain such information, as may be specified in a public notice given by the Commissioners for His Majesty’s Revenue and Customs.
- (8) Subsection (3) is without prejudice to—
  - (a) any assessment in respect of the income of the employee in question, and
  - (b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.
- (9) For the purposes of this section and sections 690B to 690D —
  - (a) where an amount of employment income is treated as PAYE income paid by the employer for the purposes of PAYE regulations by virtue of section 693 (cash vouchers), section 694 (non-cash vouchers) or section 695 (credit-tokens), the employer is to be treated as making a payment of that amount of employment income, and
  - (b) “the appropriate person” means—
    - (i) the person designated by the employer for the purpose of this section and sections 690B to 690D and, if no person is so designated, the employer, and
    - (ii) in a case where section 689 or 689A applies, the references to the employer in sub-paragraph (i) are to be read as references to the relevant person (within the meaning of section 689 or 689A).

#### **690B Direction by HMRC where employee internationally mobile**

- (1) This section applies where—

- 
- (a) a notice given under section 690A has effect, and
    - (b) it appears to an officer of Revenue and Customs that the proportion of any uncertain payment made by the employer to the employee that is treated as not being a payment of PAYE income for the purposes of PAYE regulations should be determined otherwise than in accordance with the notice.
  - (2) An officer of Revenue and Customs may give a direction—
    - (a) for determining a proportion of any uncertain payment made by the employer to the employee which is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income, or
    - (b) that any such payment is to be treated entirely as PAYE income for the purposes of PAYE regulations.
  - (3) A direction under subsection (2)—
    - (a) must specify the employee and the mobile tax year,
    - (b) must be given by notice to the appropriate person, and
    - (c) may be varied by notice to the appropriate person from a date specified in the notice (which may not be earlier than 30 days from the date on which the notice is given).
  - (4) If—
    - (a) a direction under subsection (2) has effect, and
    - (b) any uncertain payment is made by the employer to the employee in any tax year,the direction applies in relation to the payment.
  - (5) A direction given under subsection (2) ceases to have effect if—
    - (a) the notice to which the direction relates was given on the basis that the employee was likely to be non-UK resident for the mobile tax year, and
    - (b) a notice has subsequently been—
      - (i) given by the appropriate person under section 690C (employer notification for qualifying new resident) on the basis that the employee is or is likely to be a qualifying new resident for the mobile tax year, and
      - (ii) acknowledged by an officer of Revenue and Customs.
  - (6) Subsection (4) is without prejudice to—
    - (a) any assessment in respect of the income of the employee in question, and
    - (b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.”
- (2) The amendments made by this section have effect for the tax year 2025-26 and subsequent tax years.

## SCHEDULES

### SCHEDULE 1

Section 2(2)

#### RELIEF ON FOREIGN EMPLOYMENT INCOME: CONSEQUENTIAL AND TRANSITIONAL PROVISION

#### PART 1

#### GENERAL CONSEQUENTIAL AMENDMENTS

- 1 (1) ITEPA 2003 is amended as follows.
- (2) In section 28 (meaning of “general earnings from overseas Crown employment subject to UK tax”), in subsection (2)(b), after “or of” insert “Wales, Scotland or”.
- (3) In section 225 (payments for restrictive undertakings), in subsection (6), for paragraph (a) substitute—
  - “(a) any general earnings from the employment—
    - (i) are general earnings to which section 15 applies, and
    - (ii) if the employee is a qualifying new resident for the purposes of Chapter 5C of Part 2 for the tax year mentioned in subsection (3), are not qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings), or”.
- (4) In section 290E (calculation of earnings rate for a tax year), in subsection (4), for “non-domiciled”, in each place it occurs, substitute “qualifying new resident”.
- (5) In section 333 (scope of this chapter: expenses paid by the employee), in subsection (3)(b), for “non-domiciled” substitute “qualifying new resident”.
- (6) In section 341 (travel at start or finish of overseas employment), in subsection (4), for the words from “domiciled” to the end substitute “not a qualifying new resident for the purposes of Chapter 5C of Part 2.”
- (7) In section 342 (travel between employments where duties performed abroad), in subsection (7), for the words from “domiciled” to the end substitute “not a qualifying new resident for the purposes of Chapter 5C of Part 2.”
- (8) In section 355 (deductions for corresponding payments by non-domiciled employees)—
  - (a) in the heading, for “non-domiciled” substitute “qualifying new resident”;
  - (b) in subsection (2), for the words from “not domiciled” to the end substitute “a qualifying new resident for the purposes of Chapter 5C of Part 2.”

- (9) In section 360 (disallowance of certain accommodation expenses of MPs), in subsection (1), for “non-domiciled” substitute “qualifying new resident”.
- (10) In section 370 (travel costs and expenses where duties performed abroad), in subsection (6), for paragraph (b) substitute –
- “(b) either –
- (i) if the tax year is tax year 2024-2025 or an earlier tax year, would be taxable earnings under section 15 even if the employee made a claim under section 809B of ITA 2007 (claim for remittance basis) for that year, or
- (ii) if the tax year is tax year 2025-2026 or a later tax year and the employee is a qualifying new resident for the purposes of Chapter 5C of Part 2 for that tax year, are not qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings).”
- (11) In the italic heading before section 373 for “non-domiciled” substitute “qualifying new resident”.
- (12) In section 373 (travel costs and expenses where duties performed in UK) –
- (a) in the heading, for “Non-domiciled” substitute “Qualifying new resident”;
- (b) in subsection (1) for “not domiciled in the United Kingdom” substitute “a qualifying new resident for the purposes of Chapter 5C of Part 2”;
- (c) omit subsection (7).
- (13) In section 374 –
- (a) in the heading, for “Non-domiciled” substitute “Qualifying new resident”;
- (b) in subsection (1) for “not domiciled in the United Kingdom” substitute “a qualifying new resident for the purposes of Chapter 5C of Part 2”;
- (c) omit subsection (10).
- (14) In section 376 (foreign accommodation and subsistence costs and expenses (overseas employments)) –
- (a) in subsection (1)(c), for “domiciled in the United Kingdom” substitute “not a qualifying new resident for the purposes of Chapter 5C of Part 2”;
- (b) omit subsection (6).
- (15) In section 395C (meaning of “foreign service” in section 395B), in subsection (5) –
- (a) before paragraph (a) insert –
- “(za) for service in or after the tax year 2025-2026, earnings –

- (i) to which section 15 applies, and
      - (ii) if the employee is a qualifying new resident for the purposes of Chapter 5C of Part 2 for that tax year, which are not qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings);
    - (b) in paragraph (a), after “2008-2009” insert “and before the tax year 2025-2026”.
  - (16) In section 413 (exception in certain cases of foreign service), in subsection (3A) –
    - (a) before paragraph (a) insert –
      - “(za) for service in or after the tax year 2025-2026, earnings –
        - (i) to which section 15 applies, and
        - (ii) if the employee is a qualifying new resident for the purposes of Chapter 5C of Part 2 for that tax year, which are not qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings);
    - (b) in paragraph (a), after “2008-2009” insert “and before the tax year 2025-2026”.
- 2 (1) ITA 2007 is amended as follows.
- (2) In section 24 (reliefs deductible at Step 2), in subsection (1)(a), after the entry for section 266(7) of ICTA insert –
- “section 41P of ITEPA 2003 (deduction for amount that reflects qualifying foreign employment income).”
- (3) In section 989 (the definitions), at the appropriate place insert –
- ““foreign employment election” means an election under section 41M of ITEPA 2003.”.

## PART 2

### CONSEQUENTIAL AMENDMENTS RELATING TO PAYE

- 3 After section 690B of ITEPA 2003 (direction by HMRC where employee internationally mobile) (as inserted by section 11 of this Act) –
- “690C Employer notification for qualifying new residents**
- (1) This section applies in relation to an employee if –
- (a) the employee is or is likely to be a qualifying new resident for a tax year (“the qualifying year”), and
  - (b) the employee works or is likely to work outside the UK during the qualifying year.

- (2) The appropriate person may give a notice to an officer of Revenue and Customs at any time during the qualifying year –
  - (a) that the employer is proposing to treat the foreign proportion of any qualifying payment made by the employer to the employee as not being PAYE income of the employee for the purposes of PAYE regulations, and
  - (b) specifying that proportion.
- (3) For the purposes of this section and section 690D –
  - (a) the employer makes a “qualifying payment” to the employee if the employer makes a payment of, or on account of, an amount of employment income of the employee that is likely to be qualifying employment income;
  - (b) the “foreign proportion” of a qualifying payment is the proportion of the employment income that, on the basis of the best estimate that can reasonably be made, is likely to be qualifying foreign employment income.
- (4) If a notice given under this section has effect, the proportion of any qualifying payment made by the employer to the employee which is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income is –
  - (a) the proportion specified in the notice, or
  - (b) if less, 30%.
- (5) A notice given under this section –
  - (a) does not have effect if a direction has previously been given to the appropriate person under section 690D (direction by HMRC where employee qualifying new resident) in relation to the employee and the qualifying year;
  - (b) otherwise, has effect when it is acknowledged by an officer of Revenue and Customs.
- (6) A notice given under this section ceases to have effect if –
  - (a) a direction under section 690D (direction by HMRC where qualifying new resident) has been given to the appropriate person in relation to the employee and the qualifying year,
  - (b) a subsequent notice is given by the appropriate person under this section and is acknowledged by an officer of Revenue and Customs, or
  - (c) a subsequent notice –
    - (i) is given by the appropriate person under section 690A (employer notification for internationally mobile employee) on the basis that the employee is or is likely to be non-UK resident in the qualifying year, and
    - (ii) is acknowledged by an officer of Revenue and Customs.

- (7) A notice given under this section must be in such manner and form, and contain such information, as may be specified in a public notice given by the Commissioners for His Majesty’s Revenue and Customs.
- (8) Subsection (4) is without prejudice to—
  - (a) any assessment in respect of the employment income of the employee in question, and
  - (b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.
- (9) For the purposes of this section and section 690D—
  - (a) where an amount of employment income is treated as PAYE income paid by the employer for the purposes of PAYE regulations by virtue of section 687A or 695A (employment income under Part 7A) or section 696 (readily convertible assets), the employer is to be treated as making payment of that amount of employment income, and
  - (b) “qualifying new resident”, “qualifying employment income” and “qualifying foreign employment income” have the same meaning as in Chapter 5C of Part 2 (relief for new residents on foreign employment income).

#### **690D Direction by HMRC where employee qualifying new resident**

- (1) This section applies where—
  - (a) a notice given under section 690C has effect, and
  - (b) it appears to an officer of Revenue and Customs that the proportion of any qualifying payment made by the employer to the employee that is treated as not being a payment of PAYE income for the purposes of PAYE regulations should be determined otherwise than in accordance with section 690C(4).
- (2) An officer of Revenue and Customs may give a direction—
  - (a) for determining a proportion of any qualifying payment made by the employer to the employee which is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income, or
  - (b) that any such payment is to be treated entirely as PAYE income for the purposes of PAYE regulations.
- (3) A direction under subsection (2)—
  - (b) must specify the employee and the qualifying year,
  - (c) must be given by notice to the appropriate person, and

- (d) may be varied by notice to the appropriate person from a day specified in the notice (which may not be earlier than 30 days from the date on which the notice is given).
- (4) If—
  - (a) a direction under subsection (2) has effect, and
  - (b) any qualifying payment is made by the employer to the employee in any tax year,
 the direction applies to the payment.
- (5) A direction given under subsection (2) ceases to have effect if a notice has subsequently been—
  - (a) given by the appropriate person under section 690A (employer notification for internationally mobile employee) on the basis that the employee is or is likely to be non-UK resident for the qualifying year, and
  - (b) acknowledged by an officer of Revenue and Customs.
- (6) Subsection (4) is without prejudice to—
  - (a) any assessment in respect of the employment income of the employee in question, and
  - (b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.”

### PART 3

#### TRANSITIONAL PROVISION

##### *Individuals no longer meeting section 26A requirement not qualifying new residents*

- 4 (1) If an individual falling within sub-paragraph (2) would otherwise be a qualifying new resident for tax year 2025-2026 for the purposes of Chapter 5C of Part 2 of ITEPA 2003 (relief for new residents on foreign employment income), the individual is to be treated as not being a qualifying new resident for that year for the purposes of that Chapter.
- (2) An individual falls within this sub-paragraph if—
  - (a) the individual met the section 26A requirement for tax year 2022-2023, and
  - (b) section 809B, 809D or 809E of ITA 2007 (remittance basis) applied to the individual for that year or for tax year 2023-2024 or 2024-2025.

##### *Certain individuals meeting section 26A requirement treated as qualifying new residents*

- 5 (1) If an individual falling within sub-paragraph (2)—
  - (a) meets the section 26A requirement for tax year 2025-2026 or 2026-2027, and

(b) is not a qualifying new resident for that year for the purposes of Chapter 5C of Part 2 of ITEPA 2003,  
the individual is to be treated as a qualifying new resident for that tax year for the purposes of that Chapter.

- (2) An individual falls within this sub-paragraph if –
- (a) the individual met the section 26A requirement for tax year 2023-2024 or tax year 2024-2025, and
  - (b) section 809B, 809D or 809E of ITA 2007 (remittance basis) applied to the individual for that tax year.

*Limit on relief not to apply to certain foreign employment relief claims*

- 6 (1) Section 41R of ITEPA 2003 (limit on relief) does not apply to a foreign employment relief claim made by an individual for a tax year if the claim falls within sub-paragraph (2) or (3).
- (2) A foreign employment relief claim made by an individual for a tax year falls within this sub-paragraph if –
- (a) the qualifying year is tax year 2025-2026 or 2026-2027, and
  - (b) paragraph 5(1) applies to the individual for that tax year.
- (3) A foreign employment relief claim made by an individual for a tax year falls within this sub-paragraph if –
- (a) the qualifying year is tax year 2025-2026, 2026-2027 or 2027-2028,
  - (b) paragraph 5(1) does not apply to the individual for that tax year,
  - (c) the individual falls within paragraph 5(2), and
  - (d) the individual meets the section 26A requirement for tax year 2025-2026.

*Definitions*

- 7 For the purposes of this Part of this Schedule –
- “foreign employment claim” and “qualifying year” have the same meanings as in Chapter 5C of Part 2 of ITEPA 2003 (relief for new residents on foreign employment income);
  - “the section 26A requirement” means the requirement of section 26A of ITEPA 2003 (requirement for 3-year period of non-residence).

SCHEDULE 2

Section 4

INCOME TAX AND CAPITAL GAINS TAX: REMITTANCE BASIS AND DOMICILE

**PART 1**

REMITTANCE BASIS

*No remittance basis for tax years after 2024-25*

- 1 (1) Chapter A1 of Part 14 of ITA 2007 (remittance basis) is amended as follows.
- (2) In section 809B (claim for remittance basis to apply), in subsection (1) –
  - (a) in the words before paragraph (a) omit “the individual”,
  - (b) before that paragraph insert –
    - “(za) the tax year is the tax year 2024-25 or an earlier tax year,”, and
  - (c) in each of paragraphs (a), (b) and (c), at the beginning insert “the individual”.
- (3) In section 809C (claim for remittance basis by long-term UK resident), in subsection (1) –
  - (a) in the words before paragraph (a) omit “the individual”,
  - (b) before that paragraph insert –
    - “(za) the tax year is the tax year 2024-25 or an earlier tax year,”, and
  - (c) in each of paragraphs (a) and (b), at the beginning insert “the individual”.
- (4) In section 809D (application of remittance basis where income and gains under £2000) in subsection (1), before paragraph (a) insert –
  - “(za) the tax year is the tax year 2024-25 or an earlier tax year,”.
- (5) In section 809E (application of remittance basis without claim: other cases) in subsection (1), before paragraph (a) insert –
  - “(za) the tax year is the tax year 2024-25 or an earlier tax year,”.
- (6) In consequence of the amendments made by sub-paragraphs (2) to (5), in section 809A, after “Kingdom” insert “for tax years before tax year 2025-26”.

*Amendments of TCGA 1992 connected with end of remittance basis*

- 2 (1) TCGA 1992 is amended as follows.
- (2) In section 1A (territorial scope), in subsection (2)(a), for “applies” substitute “applied”.
- (3) In section 1K (annual exempt amount), omit subsection (3).
- (4) In the italic heading before section 3D, for “Non-UK domiciled individuals” substitute “Individuals who were non-UK domiciled”.

- (5) In section 3D –
  - (a) for the heading, substitute “Individuals who were non-UK domiciled”;
  - (b) in subsection (1) –
    - (i) for “a tax year” substitute “tax year 2024-2025 or an earlier tax year”;
    - (ii) for “is” substitute “was”.
- (6) Section 16ZA (losses: non-UK domiciled individuals) is omitted.
- (7) In Schedule 1 (UK resident individuals not domiciled in UK) –
  - (a) in the heading, for “not domiciled in the UK” substitute “accruing to individuals to whom the remittance basis applied”;
  - (b) in paragraph 1(1) for “applies” substitute “applied”;
  - (c) omit paragraphs 2, 3 and 4.

*Amendments of ITEPA 2003 connected with end of remittance basis*

- 3 (1) ITEPA 2003 (employment income: charge to tax) is amended as follows.
- (2) In section 6 (nature of charge to tax on employment income), in subsection (3) –
  - (a) in paragraph (a), omit “and domicile”;
  - (b) in paragraph (aa), for “applies” substitute “applied”.
- (3) In section 20 (taxable earnings under this Chapter), for subsection (1) substitute –
  - “(1) This Chapter contains provision for determining how much of the following are taxable earnings from an employment in a tax year –
    - (a) general earnings that are for a tax year for which section 809B, 809D or 809E of ITA 2007 (remittance basis) applied to the employee (being a tax year before tax year 2025-2026), and
    - (b) general earnings that are for a tax year for which the employee is non-UK resident.”
- (4) In section 22 (chargeable overseas earnings for year when remittance basis applies and employee outside section 26) –
  - (a) in the heading and in subsection (1)(a), for “applies” substitute “applied”;
  - (b) in subsection (1)(b), for “does not” substitute “did not”.
- (5) In section 23 (calculation of “chargeable overseas earnings”), in subsection (2) –
  - (a) in paragraph (a), for “applies” substitute “applied”;
  - (b) in paragraph (aa) for “does not” substitute “did not”;
  - (c) in paragraph (b) for “is” substitute “was”;
  - (d) in paragraph (c) for “are” substitute “were”.

- (6) In the italic heading before section 25, for “meet” substitute “met”.
- (7) In section 26 (foreign earnings for year when remittance basis applies and employee meets section 26A requirement) –
  - (a) in the heading, for “applies and employee meets” substitute “applied and employee met”;
  - (b) in subsection (1), in the opening words –
    - (i) for “applies” substitute “applied”;
    - (ii) for “meets” substitute “met”.
- (8) In section 41F (taxable specific income: internationally mobile employee etc), in subsection (2)(a), for “applies” substitute “applied”.
- (9) In section 41H (section 41F: chargeable and unchargeable foreign securities income) –
  - (a) in subsection (4) –
    - (i) in paragraph (a), for “applies” substitute “applied”;
    - (ii) in paragraph (b) for “does not” substitute “did not”;
    - (iii) in paragraph (c) for “is” substitute “was”;
    - (iv) in paragraph (d) for “are” substitute “were”;
  - (b) in subsection (7) –
    - (i) in paragraph (a), for “applies” substitute “applied”;
    - (ii) in paragraph (b) for “meets” substitute “met”;
    - (iii) in paragraph (c) for “are” substitute “were”.
- (10) In section 271 (limited exemption of removal benefits and expenses: general) –
  - (a) in subsection (2)(a) and (2)(b), for “applies” substitute “applied”;
  - (b) in subsection (2)(b), for “meets” substitute “met”.
- (11) In section 554Z9 (remittance basis: A does not meet section 26A requirement) –
  - (a) in the heading, for “does not” substitute “did not”;
  - (b) in subsection (1) –
    - (i) in paragraph (b) for “applies” substitute “applied”;
    - (ii) in paragraph (c) for “does not” substitute “did not”;
    - (iii) in paragraph (d) for “is” substitute “was”;
    - (iv) in paragraph (e), for “are” substitute “were”.
- (12) In section 554Z10 (remittance basis: A meets section 26A requirement) –
  - (a) in the heading, for “meets” substitute “met”;
  - (b) in subsection (1)(b), for “applies” substitute “applied”;
  - (c) in subsection (1)(c), for “meets” substitute “met”.
- (13) In section 576A (temporary non-residents), in subsection (5) , for “applies” substitute “applied”.

- (14) In section 698 (PAYE: special charges on employment-related securities), in subsection (8), for “remittance basis” substitute “internationally mobile employees”.
- (15) In section 700 (PAYE: gains from securities options), in subsection (7), for “remittance basis” substitute “internationally mobile employees”.
- (16) In section 700A (employment-related securities etc: remittance basis), in the heading, for “remittance basis” substitute “internationally mobile employees”.

*Amendment of ITTOIA 2005 connected with end of remittance basis*

- 4 In section 832 of ITTOIA 2005, in subsection (1) –
  - (a) for “applies” substitute “applied”;
  - (b) after “that year” insert “(being a tax year before tax year 2025-26).”

*When amounts will be remitted*

- 5 (1) ITA 2007 is amended as follows.
- (2) Section 809L (meaning of “remitted to the United Kingdom”) is amended in accordance with sub-paragraphs to (3) to (8).
- (3) In subsection (2) –
  - (a) omit the “or” at the end of paragraph (a);
  - (b) at the end of paragraph (b) insert “, or
  - (c) money or other property is used outside the United Kingdom (directly or indirectly) for the benefit in the United Kingdom of a relevant person.”
- (4) In subsection (4) –
  - (a) in paragraph (a), for “is enjoyed by a relevant person” substitute “either –
    - “(i) the property is enjoyed by a relevant person, or
    - (ii) as a result, a benefit is enjoyed by a relevant person.”;
  - (b) after paragraph (b) (but before the “or” at the end) insert –
    - “(ba) is used outside the United Kingdom (directly or indirectly) and as a result a benefit is enjoyed in the United Kingdom by a relevant person,”.
- (5) In subsection (5) –
  - (a) in paragraph (a), for “is enjoyed by a relevant person” substitute “either –
    - “(i) the property is enjoyed by a relevant person, or

- (ii) as a result, a benefit is enjoyed by a relevant person.”;
- (b) after paragraph (b) (but before the “or” at the end) insert—
  - “(ba) is used outside the United Kingdom (directly or indirectly) and as a result a benefit is enjoyed in the United Kingdom by a relevant person.”.
- (6) In subsection (6)—
  - (a) for “or (b)”, in each place it occurs, substitute “, (b) or (ba)”;
  - (b) after “property” insert “, benefit”.
- (7) At the end of subsection (9) insert “and cases where the property is used to secure the debt.”
- (8) After subsection (9) insert—
  - “(9A) For the purposes of this Chapter, any reference to property being brought to the United Kingdom includes—
    - (a) sending, or otherwise effecting a transfer of, the property to the United Kingdom, and
    - (b) in the case of intangible property, taking any steps, or permitting steps to be taken, that would result in the property being regarded as situated in the United Kingdom for the purposes of TCGA 1992.”
- (9) In section 809N (section 809L: gift recipients, qualifying property and enjoyment)—
  - (a) in subsection (7)(c), after “(b)” insert “, (ba)”;
  - (b) in subsection (9)—
    - (i) in the opening words, after “property” insert “, a benefit”;
    - (ii) in paragraph (a), at the beginning insert “in the case of enjoyment of property or a service,”;
    - (iii) in paragraph (c), after “property” insert “, benefit”.
- (10) In section 809O (section 809L: dealings where there is a connected operation)—
  - (a) in each of subsections (2), (3), (4) and (5) after “(b)” insert “, (ba)”;
  - (b) in subsection (6)—
    - (i) in the opening words, after “property” insert “, a benefit”;
    - (ii) in paragraph (a), at the beginning insert “in the case of enjoyment of property or a service,”;
    - (iii) in paragraph (c), after “property” insert “, benefit”.
- (11) In section 809P (section 809L: amount remitted)—
  - (a) in subsections (6) and (8), for “or (b)” substitute “, (b) or (ba)”;
  - (b) in subsection (12), after “previously remitted”, in each place it occurs, insert “that has been charged to tax”.

## PART 2

### REMOVAL OF DOMICILE (PRIMARY LEGISLATION)

#### *Removal of exemption for persons not domiciled in United Kingdom*

- 6 (1) Chapter 1A of Part 14 of ITA 2007 (exemption for persons not domiciled in United Kingdom) is repealed.

#### *Residence of personal representatives: domicile of deceased no longer relevant*

- 7 (1) Section 834 of ITA 2007 (residence of personal representatives) is amended as follows.
- (2) In subsection (3), for “domiciled in the United Kingdom” substitute “a long-term UK resident within the meaning of IHTA 1984”.
- (3) Omit subsection (5).
- 8 In section 62 of TCGA 1992 (residence of personal representatives), in subsection (3), for the words from “having” to the end substitute “UK resident if the deceased was UK resident or a long-term UK resident within the meaning of IHTA 1984 at the date of death.”

#### *Residence of trustees: domicile of settlor no longer relevant*

- 9 (1) Section 476 of ITA 2007 (residence of trustees: how to work out if settlor meets condition C) is amended as follows.
- (2) In subsections (2)(b) and (3)(b), omit “or domiciled in the United Kingdom”.
- (3) After subsection (3) insert—
- “(3ZA) In relation to a settlement—
- (a) that arose before 6 April 2025 on S’s death, or
- (b) that S made (or is treated for the purposes of the Income Tax Acts as having made) before 6 April 2025,
- subsections (2)(b) and (3)(b) have effect as if after “UK resident” there were inserted “or domiciled in the United Kingdom”.”
- (4) In subsection (3A), for “subsections (2)(b) and (3)(b)” substitute “subsection (3ZA)”.
- (5) In subsection (4)(c), for “subsection (2) or (3) or this subsection” substitute “this section”.
- 10 (1) Section 69 of TCGA 1992 (trustees of settlements) is amended as follows.
- (2) In subsection (2B)(c), omit “or domiciled”.
- (3) After subsection (2C) insert—
- “(2CA) In relation to a settlement—
- (a) that arose before 6 April 2025 on the settlor’s death, or

- (b) that the settlor made (or was treated for the purposes of this Act as making) before 6 April 2025, subsection (2B)(c) has effect as if after “resident” there were inserted “or domiciled”.
- (4) In subsection (2F), for “(2B)(c)” substitute “(2CA)”.
- 11 (1) In the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (S.I. 2017/692), regulation 42 (application of Part 5) is amended as follows.
- (2) In paragraph (2)(d)(ii), omit “and domiciled”.
- (3) After paragraph (2) insert—
- “(2A) In relation to a trust that was set up before 6 April 2025, paragraph (2)(d)(ii) has effect as if after “resident” there were inserted “and domiciled”.

#### *Pension schemes*

- 12 (1) Part 4 of FA 2004 (pensions schemes etc.) is amended as follows.
- (2) In Chapter 3 (payments by registered pension schemes), in section 185G, in subsection (3)(a) omit “and domiciled”.
- (3) In the following provisions of Chapter 5 (registered pension schemes: tax charges) omit “or domiciled”—
- (a) section 205(3);
- (b) section 206(3);
- (c) section 207(3);
- (d) section 208(4);
- (e) section 209(5);
- (f) section 237A(2);
- (g) section 237B(8);
- (h) section 239(4);
- (i) section 242(3);
- (j) section 244J(6).
- 13 In section 7 of F(No.2)A 2005 (social security pension lump sum), in subsection (3) omit “or domiciled”.

#### *Domicile of overseas electors*

- 14 In FA 1996 omit section 200 (domicile for tax purposes of overseas electors).
- 15 In ITA 2007 omit section 835B (domicile for income tax purposes of overseas electors).

#### *Situs of debt*

- 16 (1) Section 275 of TCGA 1992 (location of assets) is amended as follows.

- (2) In subsection (1), omit paragraph (l).
- (3) Omit subsection (3A).

*Trust reporting requirements*

- 17 (1) Schedule 5A to TCGA 1992 (settlements with foreign element: information) is amended in accordance with sub-paragraphs (2) and (3).
- (2) In paragraph 3—
    - (a) in sub-paragraph (3) omit “is domiciled in the United Kingdom and”;
    - (b) at the end of sub-paragraph (3) insert “and is not a qualifying new resident within the meaning of Schedule D1”;
    - (c) omit sub-paragraph (3A).
  - (3) In paragraph 4—
    - (a) for sub-paragraph (2)(b) substitute—
      - “(b) where that time was before 6 April 2025, did not fulfil the condition mentioned in sub-paragraph (3) below at that time or at any time before 6 April 2025,
      - (ba) where that time was on or after 6 April 2025, does not fulfil the condition mentioned in sub-paragraph (3A) below at that time,”;
    - (b) in sub-paragraph (2)(c)—
      - (i) for “that condition” substitute “the condition mentioned in sub-paragraph (3A) below”;
      - (ii) for “the commencement day” substitute “6 April 2025”;
    - (c) in the closing words of sub-paragraph (2), for “the relevant day” substitute “31 January after the end of the tax year in which the relevant day falls”;
    - (d) after sub-paragraph (3) insert—
      - “(3A) The condition is that the person concerned is resident in the United Kingdom and is not a qualifying new resident within the meaning of Schedule D1.”
  - (4) Sub-paragraph (5) applies where a settlor fulfils the condition in paragraph 4(3A) of Schedule 5A to TCGA 1992 (settlements with foreign element: information) on 6 April 2025.
  - (5) For the purposes of paragraph 4(2)(c) of that Schedule, the settlor is to be treated as first fulfilling that condition on 6 April 2025.

*Trusts with vulnerable beneficiary*

- 18 (1) FA 2005 is amended as follows.
- (2) In section 28 (vulnerable person’s liability: VQTI), in subsection (4)—
    - (a) at the end of paragraph (a) insert “and”;

- (b) omit paragraph (c) and the “and” before it.
- (3) In Schedule 1 (non-UK resident vulnerable person), in paragraph 7(1)(a) omit “and domiciled”.

*Disposals of deeply discounted securities*

- 19 In section 459 of ITTOIA 2005 (application of transfer of assets abroad legislation to disposals of deeply discounted securities), in subsection (1) omit “or domiciled”.

*The accrued income scheme*

- 20 (1) ITA 2007 is amended as follows.
- (2) In section 667 (trustees’ accrued income profits treated as settlement income), in subsection (2) –
    - (a) in paragraph (a) omit “or domiciled outside the United Kingdom”;
    - (b) in paragraph (b) omit “or domiciled in the United Kingdom”.
  - (3) In section 680 (interest on securities involving accrued income losses: foreign trustees), in subsection (1) –
    - (a) in paragraph (a) omit “or domiciled outside the United Kingdom”;
    - (b) in paragraph (d) omit “or domiciled in the United Kingdom”.

**PART 3**

REMOVAL OF DOMICILE (SECONDARY LEGISLATION)

*Education funding*

- 21 (1) In the Appendix to Schedule 1 to the Education (Grants) (Music, Ballet and Choir Schools) (England) Regulations 2001 (aided pupil scheme: computation of income), in paragraph 2, in sub-paragraph (a) omit “, ordinarily resident or domiciled”.
- (2) In Part 2 of Schedule 2 to the Education (Student Support) (European University Institute) Regulations 2010 (calculation of contribution), in paragraph 4(5)(a), omit “or domiciled” in the first place it appears.
  - (3) The Education (Student Support) Regulations 2011 are amended in accordance with sub-paragraphs (4) and (5).
  - (4) In Schedule 4 (financial assessment) –
    - (a) in paragraph 5(7)(a) –
      - (i) omit “or domiciled” in the first place it appears;
      - (ii) omit “so”;
    - (b) in paragraph 7(7)(a) –
      - (i) omit “or domiciled” in the first place it appears;
      - (ii) omit “so”.

- (5) In Schedule 6 (assessment of eligible part-time student’s household income) –
- (a) in paragraph 5(6)(a) –
    - (i) omit “or domiciled” in the first place it appears;
    - (ii) omit “so”;
  - (b) in paragraph 7(7)(a) –
    - (i) omit “or domiciled” in the first place it appears;The
    - (ii) omit “so”;

*Making Tax Digital*

- 22 In the Income Tax (Digital Requirements) Regulations 2021 omit regulation 26.

SCHEDULE 3

Section 5

TEMPORARY REPATRIATION FACILITY

**PART 1**

TEMPORARY REPATRIATION FACILITY CHARGE

*Introduction and charge*

- 1 (1) This Part of this Schedule sets out a charge on amounts of qualifying overseas capital of individuals previously subject to the remittance basis.
- (2) The charge is to be known as the temporary repatriation facility charge, and is referred to in this Schedule as the “TRF charge”.
- (3) Paragraphs 2 to 4 set out when amounts are, or are to be treated, as qualifying overseas capital.
- (4) Amounts of qualifying overseas capital of an individual are subject to the TRF charge only if the individual designates them in accordance with this Part of this Schedule.
- (5) An individual may only designate qualifying overseas capital if the individual was subject to the remittance basis for at least one tax year (being a tax year before the tax year 2025-26).
- (6) An individual designates qualifying overseas capital by making an election (a “designation election”) in a return for the tax year 2025-26, 2026-27 or 2027-28 (see paragraph 5 for further provision about designation elections).
- (7) A designation election may only be made in a return if, for the tax year to which the return relates, the individual is UK resident for the purposes of income tax or capital gains tax (see Schedule 45 to FA 2013).
- (8) The amount of the TRF charge on qualifying overseas capital designated by an individual is –

- (a) in the case of amounts of qualifying overseas capital designated in a return for the tax year 2025-26 or 2026-27, the amount equal to 12% of the amount of that capital, and
  - (b) in the case of amounts of qualifying overseas capital designated in a return for the tax year 2027-28, the amount equal to 15% of the amount of that capital.
- (9) Part 2 of this Schedule sets out exemptions and reliefs from income tax and capital gains tax that apply where amounts of qualifying overseas capital are designated,
- (10) Part 3 of this Schedule amends or modifies rules about the remittance of amounts where an individual has designated qualifying overseas capital.
- (11) For the purposes of this Part of this Schedule –
- (a) an individual is subject to the remittance basis for a tax year –
    - (i) in relation to the tax years 2008-09 to 2024-25, if any of sections 809B, 809D or 809E of ITA 2007 apply to the individual for that year, or
    - (ii) in relation to any tax year before 2008-2009, if any income or gains of the individual for that year were subject to the remittance basis (including any income or gains that would have been regarded as arising in the tax year but were not as a result of the application of the remittance basis), and
  - (b) “return” means a return under section 8 of TMA 1970 (personal return for income tax and capital gains tax).

*Qualifying overseas capital: main cases*

- 2 (1) An amount of capital is “qualifying overseas capital” of an individual if it falls within sub-paragraph (2), (5) or (8).
- (2) An amount of capital falls within this sub-paragraph if –
- (a) it is an amount that arose in the tax year 2024-25 or an earlier tax year as income or as a gain,
  - (b) the amount has not been remitted to the United Kingdom, and
  - (c) the amount, if remitted to the United Kingdom, would have the effect mentioned in sub-paragraph (3)(a) or (b).
- (3) That effect is that –
- (a) the individual becomes chargeable to income tax by reference to the amount remitted in accordance with section 22, 26, 41F or 554Z9 of ITEPA 2003 or section 832 of ITTOIA 2005 (income charged on remittance basis), or
  - (b) a gain is treated as accruing to the individual by reference to the amount remitted in accordance with paragraph 1(2) of Schedule 1 to TCGA 1992 (gains charged on remittance basis).
- (4) In determining whether an amount of capital falls within sub-paragraph (2) for the purposes of making a designation election for a tax year, the

condition in sub-paragraph (2)(b) is to be regarded as met if it was met at the end of that tax year.

- (5) An amount of capital falls within this sub-paragraph if –
  - (a) it is an amount that arose in the tax year 2024-25 or an earlier tax year as income or as a gain,
  - (b) the amount is remitted to the United Kingdom in the tax year 2025-26, 2026-27 or 2027-28, and
  - (c) that remittance has the effect mentioned in sub-paragraph (3)(a) or (b).
- (6) An amount that is qualifying overseas capital falling within sub-paragraph (5) (and that has not previously been designated as result of the amount falling within sub-paragraph (2)) may only be designated in a designation election for the tax year in which it was remitted.
- (7) For the purposes of sub-paragraphs (2)(c) and (5)(c), a remittance is to be treated as having the effect mentioned in sub-paragraph (3)(a) or (b) if it would have that effect ignoring –
  - (a) paragraph 4 (exemption for designated qualifying overseas capital),
  - (b) section 279 of TCGA 1992 (foreign assets: delayed remittances),
  - (c) section 842 of ITTOIA 2005 (claim for relief for unremittable income),
  - (d) section 809VA of ITA 2007 (business investment relief), and
  - (e) section 809X of that Act (exempt property).
- (8) An amount of capital falls within this sub-paragraph if –
  - (a) it does not fall within sub-paragraph (2) or (5),
  - (b) it was held by the individual immediately before 6 April 2025,
  - (c) it was situated outside the United Kingdom –
    - (i) immediately before it was most recently acquired by the individual before that date, and
    - (ii) throughout the period beginning with the time referred to in sub-paragraph (i) and ending with that date.
- (9) References in Parts 1 and 2 of this Schedule to amounts being remitted to the United Kingdom are to be construed in accordance with Chapter A1 of Part 14 of ITA 2007 (see, in particular, sections 809L to 809O of that Act).

*Amounts of capital payments made by trustees of settlement*

- 3 (1) This paragraph applies where –
  - (a) an individual –
    - (i) is the beneficiary of a settlement, and
    - (ii) receives a capital payment from the trustees in the tax year 2025-26, 2026-27 or 2027-28,
  - (b) section 87 of TCGA 1992 applies to the settlement for that tax year, and
  - (c) under section 87A of that Act (if it applied also for this purpose) the capital payment would be matched (in whole or in part) with

the section 1(3) amount for the tax year 2024-25 or any earlier tax year if the section 1(3) amount for each tax year after the tax year 2024-25 were nil.

- (2) So much of the capital payment as would be matched with the section 1(3) amount for the tax year 2024-25 or an earlier tax year in accordance with sub-paragraph (1)(c) is an amount of qualifying overseas capital of the individual.
- (3) In this paragraph—
  - “section 1(3) amount” has the meaning it has in section 87 of TCGA 1992;
  - “settlement” is to be construed in accordance with section 68A of that Act.

*Amounts of income treated as qualifying overseas capital*

- 4 (1) This paragraph applies—
  - (a) where an individual is treated as having an amount of income as a result of section 643A of ITTOIA 2005 (benefits paid out of protected foreign-source income or transitional trust income) for any of the tax years 2025-26, 2026-27 or 2027-28,
  - (b) where an individual would have been treated as having an amount of income as a result of any other provision of Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor or family) in the tax year 2024-25 or an earlier tax year but was not only as a result of the application of section 648(3) of that Act (relevant foreign income treated as arising under settlement only if and when remitted), or
  - (c) where—
    - (i) an individual is treated as having an amount of income for any of the tax years 2025-26, 2026-27 or 2027-28 as a result of section 732 of ITA 2007 (individuals receiving a benefit as a result of relevant transactions),
    - (ii) under section 735A of that Act (if it applied also for this purpose) that amount would be matched with relevant income that arose in the tax year 2024-25 or an earlier tax year, and
    - (iii) that amount would have been treated as relevant foreign income of the individual if it had been treated as accruing in the tax year 2024-25 and the individual had been subject to the remittance basis for that tax year.
- (2) An amount of income falling within paragraph (a), (b) or (c) of sub-paragraph (1) is to be treated as an amount of qualifying overseas capital of the individual.
- (3) An amount of income treated as qualifying overseas capital falling within sub-paragraph (1)(a) or (c) may only be designated in a return for the tax year in which the income was treated as arising to the individual.

- (4) For the purposes of this paragraph “relevant foreign income” has the meaning it has in the Income Tax Acts.

*Designation of qualifying overseas capital*

- 5 (1) A designation election for a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.
- (2) The designation must—
- (a) set out the total amount designated,
  - (b) identify which (if any) of the amounts designated have been remitted in the tax year to which the return relates.
- (3) An individual may designate an amount where it has not yet been determined whether the amount is qualifying overseas capital.
- (4) An amount designated that is determined to not be qualifying overseas capital is to be nevertheless treated as designated qualifying overseas capital, other than for the purpose of paragraph 7 (exemptions).
- (5) Where an amount is designated, it is treated as designated qualifying overseas capital from the beginning of the tax year to which the return in which it is designated relates.
- (6) An individual who makes a designation election must keep a record of each amount designated.

*Payment of the TRF charge through the income tax system*

- 6 (1) An amount of designated qualifying overseas capital is chargeable to the TRF charge for the tax year to which the return in which it is designated relates.
- (2) Amounts of TRF charge are to be charged as if they were amounts of income tax.
- (3) Section 23 of ITA 2007 (calculation of income tax liability) applies in relation to a person liable to the TRF charge as if paragraph 1(8) were included in the lists of provisions in section 30(1) of that Act (amounts of tax added at Step 7).
- (4) For the purposes of the collection and management of the TRF, all other enactments applying generally to income tax apply to the TRF charge.
- (5) Those enactments include—
- (a) those relating to returns of information and the supply of accounts, statements and reports,
  - (b) those relating to the assessing, collecting and receiving of income tax,
  - (c) those conferring or regulating a right of appeal, and

- (d) those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.
- (6) But section 59A of TMA 1970 (payments on account of income tax) does not apply in relation to amounts of TRF charge.
- (7) For the purposes of section 12B of TMA 1970 (as applied as a result of sub-paragraph (4)), the records required to be kept as a result of paragraph 5(6) are to be regarded as records that must be kept for the purposes of enabling an individual to make and deliver a correct and complete return.

## PART 2

### EXEMPTIONS ETC FOR DESIGNATED QUALIFYING OVERSEAS CAPITAL

#### *Income tax exemptions*

- 7 (1) No liability to income tax arises on the remittance of an amount of designated qualifying overseas capital.
- (2) No liability to income tax arises on an amount of income treated as qualifying overseas capital (as a result of the application of paragraph 4) if the amount is designated.
- (3) This paragraph has effect for the tax year 2025-26 and subsequent tax years.

#### *Capital gain tax exemptions and reliefs*

- 8 (1) No gain is treated as accruing under paragraph 1(2) of Schedule 1 to TCGA 1992 on the remittance of an amount of designated qualifying overseas capital.
- (2) Sub-paragraph (3) applies where—
  - (a) chargeable gains are treated as accruing to an individual in a tax year under section 87(2) of TCGA 1992 as a result of a capital payment made to an individual by the trustees of a settlement, and
  - (b) an amount of that capital payment is qualifying overseas capital that has been designated by the individual.
- (3) The gains are to be reduced by the amount of that designated qualifying overseas capital.
- (4) Sub-paragraph (5) applies where—
  - (a) an individual is charged to capital gains tax by virtue of the matching (under section 87A of TCGA 1992) of a capital payment with the section 1(3) amount for the tax year 2024-25 or any earlier tax year,
  - (b) section 91(2) of TCGA 1992 (increase of tax where capital payment matched to section 1(3) amount for earlier tax year) would (ignoring sub-paragraph (5)) apply in relation to the capital payment mentioned in paragraph (a),

- (c) an amount of a capital payment (which may or may not be the payment mentioned in paragraph (a)) is qualifying overseas capital that has been designated by the individual, and
  - (d) the amount designated is qualifying overseas capital as a result of the fact it would, in accordance with paragraph 3(1)(c), be matched with the section 1(3) amount mentioned in paragraph (a).
- (5) Section 91(2) of TCGA 1992 does not apply to capital gains tax payable by the individual in respect of so much of the capital payment mentioned in sub-paragraph (4)(a) as is matched with the amount of the section 1(3) amount as would also, in accordance with paragraph 3(1)(c), be matched with the amount of a capital payment mentioned in sub-paragraph (4)(c).
- (6) In sub-paragraphs (4) and (5) “section 1(3) amount” has the meaning it has in section 87 of TCGA 1992.
- (7) This paragraph has effect for the tax year 2025-26 and subsequent tax years.

### PART 3

#### EFFECT OF DESIGNATION ON WHEN AMOUNTS REMITTED ETC

##### *Temporary disapplication of nominated income ordering rules*

- 9 Section 809I of ITA 2007 (remittance basis charge: income and gains treated as remitted) does not apply for a tax year in relation to an individual if the tax year is tax year 2025-26, 2026-27 or 2027-28 and—
- (a) the individual makes a designation of qualifying overseas income for that tax year, or
  - (b) the individual has made a such a designation for a previous tax year.

##### *Mixed funds: section 809Q of ITA 2007*

- 10 (1) Section 809Q of ITA 2007 is amended as follows.
- (2) In subsection (3)—
- (a) before Step 1 insert—  
“*Step A1*  
Find the amount (if any) of income or capital of the individual for the relevant tax year in the mixed fund immediately before the transfer that is TRF capital.  
If the amount of the transfer is equal to, or less than, the amount of TRF capital, treat the transfer as containing only TRF capital.  
Otherwise—  
(a) treat so much of the transfer as does not exceed the amount of the TRF capital as being comprised of TRF capital, and  
(b) apply the following steps to the remainder of the transfer.”,  
and

- (b) in Steps 2 to 4, and in the first sentence in Step 5, for “transfer”, in each place it occurs, substitute “remainder”.
- (3) In subsection (6), after paragraph (b) insert “, or
  - (c) income or capital that is TRF capital and income or capital that is not TRF capital.”
- (4) After subsection (8) insert –
  - “(9) For the purposes of this Chapter “TRF capital” means any amount –
    - (a) that is qualifying overseas capital (within the meaning of Part 1 of Schedule 3 to FA 2025), other than an amount that is, or is treated as, qualifying overseas capital as a result of paragraph 3 or 4 of that Schedule, and
    - (b) that is designated qualifying overseas capital for the purposes of that Part of that Schedule (and see paragraph 5(5) which provides for qualifying overseas capital to be treated as designated qualifying overseas capital from the start of the tax year to which the return in which it is designated relates).”
- (5) In section 809Z10 of ITA 2007 (general interpretation), after the definition of “the remittance basis user” insert –
  - ““TRF capital” has the meaning given by section 809Q(9).”

*Mixed funds: section 809R of ITA 2007*

- 11 (1) Section 809R of ITA 2007 is amended as follows.
  - (2) After subsection (4) insert –
    - “(4A) For the purposes of subsection (4) –
      - (a) TRF capital is to be treated as a kind of income or capital, and
      - (b) TRF capital is not to be regarded as any other kind of income or capital.”
  - (3) In subsection (5) for “section 809Q does not apply” substitute “neither section 809Q nor section 809RZA(2) applies”.
  - (4) In subsection (6) –
    - (a) in the words before paragraph (a), for “section 809Q as not applying in relation to it, if it” substitute “neither section 809Q nor section 809RZA(2) as applying in relation to it, if they”, and
    - (b) in paragraph (a), for “section 809Q does not apply” substitute “neither section 809Q nor section 809RZA(2) applies”.
  - (5) In subsection (7), after paragraph (b) insert “, or
    - (c) income or capital that is TRF capital and income or capital that is not TRF capital.”
  - (6) In subsection (9), for “step 1” substitute “steps A1 and 1”.

*Mixed funds: TRF capital account*

12 After section 809R of ITA 2007 insert –

**“809RZA Transfers into TRF capital account**

- (1) Subsection (2) applies to a transfer made from a mixed fund if –
  - (a) it is made from a mixed fund that contains TRF capital,
  - (b) the transfer is to a TRF capital account,
  - (c) the amount of the transfer does not exceed the amount of TRF capital in the mixed fund at the time of the transfer.
- (2) The transfer is to be treated as a transfer of TRF capital.
- (3) Where subsection (2) would apply to a transfer but does not because of paragraph (c) of subsection (1) –
  - (a) that transfer is to be treated as two separate transfers occurring one immediately after the other, and
  - (b) the first of those transfers is to be treated as being in the amount of TRF capital in the mixed fund (and accordingly subsection (2) will apply to that deemed transfer but not the second, which may result in the TRF capital account ceasing to be a TRF capital account).
- (4) Section 809RZB makes provision about the nomination of an account as a TRF capital account (and see sections 809RZC and 809RZD for the effect of making a transfer that contains amounts that are not TRF capital).

**809RZB TRF capital account**

- (1) An individual may by notice to the Commissioners nominate an account to be a TRF capital account (and more than one nomination may have effect at any time).
- (2) The notice must specify the qualifying date for the account.
- (3) “The qualifying date” for the account is the first date on which there is paid into the account sums falling within subsection (4) which (in total) are more than £10.
- (4) A sum falls within this subsection if it is TRF capital.
- (5) The individual may withdraw the nomination by giving a further notice to the Commissioners, specifying the date with effect from which the nomination is withdrawn.
- (6) A notice under subsection (1) or (5) must be in writing and include such information as the Commissioners may reasonably require.
- (7) A notice under subsection (1) or (5) must be given no later than –

- (a) 31 January in the tax year following the tax year in which falls, as the case may be—
    - (i) the qualifying date for the account, or
    - (ii) the date with effect from which the nomination is withdrawn, or
  - (b) such later date as the Commissioners may allow.
- (8) If an individual nominates an account under this section, the account is a “TRF capital account” of the individual throughout the period—
- (a) beginning with the qualifying date, and
  - (b) ending with the date before the earliest of the following dates—
    - (i) the date on which the account is closed or ceases to be an ordinary bank account held by and for the benefit of the individual (alone or jointly with others);
    - (ii) the date with effect from which the nomination is withdrawn under this section;
    - (iii) 6 April in a tax year in which there is a breach of the TRF deposit rule which is not remedied or cannot be remedied.
- (9) The account is not to be a TRF capital account at all if—
- (a) at any time on the qualifying date, the account is not an ordinary bank account held by and for the benefit of the individual (alone or jointly with others), or
  - (b) immediately before the qualifying date, the account has a credit balance of more than £10.
- (10) Where the account has a credit balance immediately before the qualifying date (which must be £10 or less), that balance is to be treated as TRF capital for the purposes of this Chapter.
- (11) Where interest is payable on TRF capital held in the TRF capital account, any such interest paid into the account is to be treated as TRF capital for the purposes of this Chapter.
- (12) The account is not to be a TRF capital account at all if the qualifying date falls in a tax year in which there is a breach of the TRF deposit rule which is not remedied or cannot be remedied.
- (13) Subsection (8)(b)(iii) or (12) (as relevant) is to be ignored if the breach occurs on or after a date falling within subsection (8)(b)(i) or (ii).
- (14) For the purposes of this section an account is an “ordinary bank account” if it is a cash account in a bank (whether a current or savings account) where sums standing to the credit of the account from time to time represent a debt owed by the bank to the account-holder.

- (15) In this section, and in sections 809RZC and 809RZD, a reference to anything “paid into” an account includes anything credited to the account by whatever means.

#### **809RZC Breaches of the TRF deposit rule**

- (1) There is a breach of the TRF deposit rule if one or more prohibited sums are paid into a TRF capital account on the qualifying date or any day after the qualifying date.
- (2) A breach of the TRF deposit rule is remedied if, within 30 days beginning with the day on which the prohibited sums are paid into the account, the required amount is transferred out of the account by way of a single one-off qualifying transfer.
- (3) A transfer is “qualifying” if it does not result in the remittance of any amount to the United Kingdom.
- (4) “The required amount” is an amount equal to the total of the prohibited sums paid into the TRF capital account on the day of the breach.
- (5) If there are 2 days on which the TRF deposit rule is breached in any tax year, subsection (2) does not apply to any breach on any subsequent day in the tax year (and accordingly any breach occurring on any day after the second day in the tax year on which there has been a breach cannot be remedied).
- (6) A “prohibited sum” is anything other than a sum that is TRF capital.

#### **809RZD Effect where 30-day deadline is met**

- (1) This section applies if the required amount in relation to a breach of the TRF deposit rule was transferred out of the account in accordance with section 809RZC(2).
- (2) Sections 809Q and 809R have effect as if—
  - (a) the intervening transactions had never taken place, and
  - (b) each prohibited sum represented by the required amount had instead been transferred directly (at the time that sum was paid into the TRF capital account) into the account or other property into which the required amount was transferred by virtue of the single one-off transfer.
- (3) Each of the following is an “intervening transaction”—
  - (a) each payment into the TRF capital account of a prohibited sum represented by the required amount, and
  - (b) the single one-off transfer out of the TRF capital account.”

*Temporary application of annualised basis to mixed funds containing TRF capital*

- 13 (1) The following modifications have effect for the tax years 2025-26, 2026-27 and 2027-28.
- (2) Chapter A1 of Part 14 of ITA 2007 has effect as if – after section 809R there were inserted –

**“809RZZA Annualised basis for mixed funds containing TRF capital**

- (1) This section applies where, at any time in a tax year, a mixed fund contains TRF capital.
- (2) If this section applies, the composition of each transfer made from the fund in that tax year at any time is to be determined as follows –

*Step 1*

Suppose that all transfers made from the mixed fund to a TRF capital account in relation to which section 809RZA(2) applies had been a single transfer made from the fund at the end of the tax year.

Whether that section applies in relation to transfers to a TRF capital account is determined as if all transfers from the mixed fund were made at the end of the tax year but transfers to a TRF capital account were made –

- (a) before any other transfer from the mixed fund was made, and
- (b) sequentially in the order in which the transfers to a TRF capital account were actually made.

*Step 2*

Suppose that all the condition A transfers made from the mixed fund in the tax year at a relevant time had been a single transfer made at the end of the tax year immediately after the single transfer mentioned in Step 1.

*Step 3*

Suppose that all the other transfers made from the account in the tax year at a relevant time had been a single offshore transfer made at the end of the tax year immediately after the single transfer mentioned in Step 2.

*Step 4*

Applying those suppositions –

- (a) find under section 809Q(3) the content of the single transfer mentioned in Step 2, and
- (b) find under section 809R(4) the content of the single offshore transfer mentioned in Step 3.

*Step 5*

Each transfer made from the fund in the tax year, other than a transfer to which section 809RZA(2) is regarded as applying in accordance with Step 1, is treated as containing the specified proportion of each kind of income or capital contained in the relevant deemed transfer.

“The specified proportion” is the amount of the transfer divided by the amount of the relevant deemed transfer.

“The relevant deemed transfer is –

- (a) if the transfer is a condition A transfer, the single transfer mentioned in Step 2, and
- (b) otherwise, the single offshore transfer mentioned in Step 3.

*Step 6*

Each transfer made from the fund in the tax year to which section 809RZA(2) is regarded as applying in accordance with Step 1 is to be treated as a transfer to which that section applies (and no other transfer in the tax year is to be regarded as a transfer in relation to which that section applies).

- (3) Subsection (2) applies in determining the composition of a transfer for the purposes of sections 809Q and 809R but it does not otherwise affect the date on which a transfer is considered to occur for the purposes of this Chapter.
- (4) A transfer from the fund is a “condition A transfer” if and to the extent that –
  - (a) condition A in section 809L is met, and
  - (b) either –
    - (i) the property or consideration for the service is (wholly or in part), or derives (wholly or in part, and directly or indirectly) from, the transfer, or
    - (ii) the transfer, or anything deriving (wholly or in part, and directly or indirectly) from the transfer, is used as mentioned in section 809L(3)(c).
- (5) A transfer from the fund is an “other transfer” if and to the extent that it is neither a condition A transfer nor a transfer to which section 809RZA(2) is regarded as applying in accordance with Step 1.
- (6) Treat a transfer as an “other transfer” if and to the extent that, at the end of the tax year –
  - (a) it is neither a condition A transfer nor a transfer to which section 809RZA(2) is regarded as applying in accordance with Step 1, and
  - (b) on the basis of the best estimate that can reasonably be made at that time, it will not become either a condition A transfer or a transfer to which section 809RZA(2) is regarded as applying in accordance with Step 1.

- (7) For the purposes of Step 5 in subsection (2) –
- (a) TRF capital is to be treated as a kind of income or capital, and
  - (b) TRF capital is not to be regarded as any other kind of income or capital.”

*Business investment relief*

- 14 (1) ITA 2007 is amended as follows.
- (2) In section 809VC (qualifying investments) in subsection (4), after “if” insert “–
- (a) the investment is made before 6 April 2028,
  - (b) none of the money or other property used to make the investment is TRF capital, and
  - (c)”.
- (3) In section 809VG (income or gains treated as remitted following certain events) –
- (a) after subsection (6) insert –
    - “(6A) Where –
      - (a) the income or gains mentioned in subsection (1)(a) include amounts designated as TRF capital (in a tax year after the tax year in which the investment is made), and
      - (b) the portion of the investment affected is less than the whole of the investment,
 so much of the affected income or gains as does not exceed the amounts designated is to be treated as being comprised of the TRF capital.”, and
    - (b) in subsection (9), after paragraph (a) insert –
      - “(aa) any part contained in amounts already treated as remitted under section 809VIA(4) following an earlier event,”.
- (4) In section 809VN (order of disposals etc) –
- (a) in subsection (2)(b), for the words from “order” to the end substitute “following order.”, and
  - (b) after subsection (2) insert –
    - “(2A) The order is –
      - (a) so much of the qualifying investments as were made using money or other property that is designated as TRF capital (in a tax year after the tax year in which the investment is made) to the extent those qualifying investments were made using such money or other property, and then

- (b) in relation to whatever remains, the order in which the qualifying investments were made (that is to say, on a first in, first out basis).”, and
  - (c) in subsection (4), for paragraph (b) substitute –
    - “(b) assume that a disposal of all or part of that deemed single holding is –
      - (i) a disposal of so much of the deemed single holding as is from any qualifying investments that were made using money or other property that is designated as TRF capital (in a tax year after the tax year in which the investment is made) to the extent those qualifying investments were made using such money or other property, and
      - (ii) if any of the deemed single holding remains after the disposal referred to in sub-paragraph (i), a disposal of a holding from qualifying investments until the holdings from all the qualifying investments have been disposed of.”
- (5) In section 809VO (investments made from mixed funds), after subsection (8) insert –
  - “(8A) But where section 809VG(6A) applies to treat any part of the affected income or gains as being comprised of TRF capital –
    - (a) the reference in subsection (8) to the “affected income or gains” is to so much of the affected income or gains as is not treated as being comprised of TRF capital, and
    - (b) so much of any fixed amount as comprises TRF capital is to be ignored for the purposes of that subsection.”
- (6) After section 809VI (the appropriate mitigation steps) insert –
  - “809VIA Application of appropriate mitigation steps where TRF capital involved**
  - (1) This section applies in relation to a potentially chargeable event where , if no appropriate mitigation steps were regarded as taken, an amount of TRF capital would (ignoring this section) be treated as remitted to the United Kingdom immediately after the end of the relevant grace period as a result of section 809VG(2)
  - (2) So much of the disposal proceeds as are equal to that amount of TRF capital is to be regarded as comprising that TRF capital.
  - (3) Section 809VI has effect as if references to the disposal proceeds did not include the TRF capital.
  - (4) Unless section 809VG(2) applies in relation to the potentially chargeable event, the TRF capital is to be treated as remitted to the

United Kingdom at the time the potentially chargeable event occurred.”

*Commencement*

- 15 (1) The amendments made by this Part of this Schedule have effect for the tax year 2025-26 and subsequent tax years.
- (2) Sub-paragraph (1) does not apply to the modifications made by paragraphs 9 and 13.

SCHEDULE 4

Section 6

REBASING OF ASSETS

*Rebasing of assets for individuals who have been subject to the remittance basis*

- 1 (1) This paragraph applies to the disposal of an asset by an individual (“P”) where –
  - (a) the asset was held by P on 5 April 2017,
  - (b) the disposal is made on or after 6 April 2025,
  - (c) the asset was not situated in the United Kingdom at any time in the period beginning with 6 March 2024 and ending with 5 April 2025,
  - (d) P was not domiciled in the United Kingdom at any time in a tax year before tax year 2025-26, and
  - (e) P has made a claim under section 809B of ITA 2007 (claim for remittance basis) for at least one tax year that is –
    - (i) one of the tax years from tax year 2017-18 to tax year 2024-25, and
    - (ii) a tax year for which neither section 809D nor 809E of that Act applied to P (remittance basis applies without claim).
- (2) In computing, for the purpose of TCGA 1992, the gain or loss accruing on the disposal, it is to be assumed that P acquired the asset on 5 April 2017 for a consideration equal to its market value on that date.
- (3) Sub-paragraph (2) applies notwithstanding section 58(1) of TCGA 1992 (disposals between spouses).
- (4) Where under section 127 of TCGA 1992 (including that section as applied by sections 132, 135 and 136 of that Act) an original and a new holding of shares or other securities are treated as the same asset, the condition in sub-paragraph (1)(c) applies to both the original and the new holding.
- (5) Section 835BA of ITA 2007 (deemed domicile) applies for the purposes of sub-paragraph (1)(d).
- (6) This paragraph and paragraphs 2 and 3 have effect as if they were included in TCGA 1992.

*Assets becoming situated in the United Kingdom before 6 April 2025*

- 2 (1) This paragraph applies for the purposes of paragraph 1(1)(c) in the case of an asset which, having been situated outside the United Kingdom, becomes situated in the United Kingdom before the end of the relevant period.
- (2) The asset is to be regarded as not situated in the United Kingdom at a time in the relevant period when—
  - (a) it meets the condition in section 809Z(3)(a), (b) or (c) of ITA 2007 (public access),
  - (b) it meets the condition in section 809Z3(3)(a), (b) or (c) of ITA 2007 (repairs),
  - (c) the sole or principal purpose of its being situated in the United Kingdom is to sell it or put it up for sale, or
  - (d) in the case of clothing, footwear, jewellery or a watch, it is for the personal use of—
    - (i) P or a husband, wife or civil partner of P, or
    - (ii) a child or grandchild of a person within sub-paragraph (i), if the child or grandchild has not reached the age of 18.
- (3) The asset is to be regarded as not situated in the United Kingdom at any time in the relevant period if it is brought to, or received or used in, the United Kingdom in circumstances in which section 809L(2)(a) of ITA 2007 applies but—
  - (a) by virtue of section 809X(5)(c) of ITA 2007 (notional remitted amount less than £1000) it is treated as not remitted to the United Kingdom, or
  - (b) by the end of the relevant period it has not failed to meet the temporary importation rule in section 809Z4 of ITA 2007.
- (4) Section 809M(3)(a) of ITA 2007 (persons living together) apply for the purposes of sub-paragraph (2)(d)(i).
- (5) In this paragraph the “relevant period” means the period beginning with 6 March 2024 and ending with 5 April 2025.

*Election for paragraph 1 not to apply*

- 3 (1) An individual may make an election for paragraph 1 not to apply to a disposal made by the individual.
- (2) Sections 42 and 43 of TMA 1970 (procedure and time limit for claims), except section 42(1A) of that Act, apply in relation to an election under this paragraph as they apply in relation to a claim for relief.
- (3) An election under this paragraph is irrevocable.
- (4) All such adjustments are to be made, whether by way of discharge or repayment of tax, the making of assessments or otherwise, as are required to give effect to an election under this paragraph.

*Rebasing under Schedule 8 to F(No.2)A 2017*

- 4 (1) In Schedule 8 to F(No.2)A 2017, in paragraph 41(4)(b), for “that in which the disposal was made” substitute “the tax year 2024-25”.
- (2) The amendment made by this paragraph has effect for the tax year 2024-25 and subsequent tax years.

SCHEDULE 5

Section 7

TRUSTS: CONNECTED AMENDMENTS, TRANSITIONAL PROVISION ETC

**PART 1**

SETTLEMENTS (INCOME)

- 1 Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor or family) is amended in accordance with this Part of this Schedule.
- 2 In section 619 (charge to tax under Chapter 5), in subsection (1)–
  - (a) at the end of paragraph (d), insert “, and”;
  - (b) in paragraph (e), after “protected foreign-source income” insert “or transitional trust income”;
  - (c) omit paragraph (f) and the “and” before it.
- 3 In section 622 (person liable), for “sections 643A and 643I to 643M” substitute “section 643A (under which a close member of the settlor’s family may instead be liable)”.
- 4 In section 624 (income where settlor retains an interest), in subsection (3)–
  - (a) after “section 627 (exceptions for certain types of income),” insert “and”;
  - (b) omit “section 628A (exception for protected foreign-source income)” and the “and” before it.
- 5 Omit sections 628A to 628C (protected foreign-source income and transitional trust income).
- 6 In section 629 (income paid to relevant children of settlor), in subsection (5), omit “or section 630A (exception for protected foreign-source income)”.
- 7 Omit section 630A (exception to section 629 for protected foreign-source income).
- 8 In section 635 (capital sums charge: amount of available income)–
  - (a) in subsections (2) and (3)(d)(i), omit “unprotected”;

- (b) for subsection (5) substitute –
  - “(5) See also section 643ZB(2) (which provides for certain income not to be counted towards available income for the purposes of this section).”
- 9 In section 636 (capital sums charge: calculation of undistributed income) –
  - (a) omit “unprotected” in the following places –
    - (i) subsection (1);
    - (ii) subsection (2) (in both places it occurs);
    - (iii) subsection (4);
    - (iv) subsection (6);
  - (b) in subsection (2)(b), omit “domiciled and”.
- 10 In section 637 (qualifications to section 636), in subsections (5) and (7A), omit “unprotected”.
- 11 For the italic heading before section 643A, substitute –

*“Transitional provision about protected foreign-source income and transitional trust income”.*
- 12 Before section 643A insert –

**“643ZA “Protected foreign-source income” and “transitional trust income”**

  - (1) In this Chapter –
    - “protected foreign-source income” means income that –
      - (a) arose under a settlement in any of the tax years 2017-18 to 2024-25, and
      - (b) was protected foreign-source income for that tax year within the meaning of section 628A (as that section had effect for that tax year).
    - “transitional trust income” means income that –
      - (a) arose under a settlement in any of the tax years 2008-09 to 2016-17, and
      - (b) was transitional trust income throughout the tax years 2017-18 to 2024-25 within the meaning of section 628C (as that section had effect for those tax years).
  - (2) For the purposes of subsection (1) ignore section 648(3) to (5) (foreign income treated as arising under settlement only if and when remitted).

**643ZB Protected foreign-source income and transitional trust income not to be taxed elsewhere in Chapter**

- (1) The rules in sections 624(1) and 629(1) do not apply to protected foreign-source income or transitional trust income (which, by virtue of section 648(3) to (5), may be treated as income arising under the settlement in the tax year 2025-26 or a subsequent tax year).

- (2) In the following provisions, “income” does not include protected foreign-source income or transitional trust income –
- section 635(2) and (3)(d)(i);
  - section 636(1), (2) (in the words before paragraph (a)), (4) and (6);
  - section 637(5) and (7A).”

13 For section 643A substitute –

**“643A Benefits paid out of protected foreign-source income or transitional trust income**

- (1) If –
- (a) an individual to whom this section applies has an untaxed benefits total for a settlement for a tax year (see section 643B),
  - (b) there is available protected income in relation to the individual, the settlement and the tax year (see section 643C), and
  - (c) the individual is UK resident for the tax year,
- an amount equal to so much of the untaxed benefits total as does not exceed the available protected income is treated for income tax purposes as income of the individual for the tax year.
- (2) This section applies to –
- (a) the settlor, and
  - (b) anyone who has at any time been a close member of the settlor’s family.
- (3) If there is a choice about the individuals in whose case income is to be treated as arising under subsection (1), income is to be treated as arising –
- (a) to such one or more of them as appears to an officer of Revenue and Customs to be just and reasonable, and
  - (b) if more than one, in such respective proportions as appear to the officer to be just and reasonable.”

14 (1) Section 643B (meaning of “untaxed benefits total” in section 643A) is amended as follows.

(2) In subsection (1), for Step 1 substitute –

*“Step 1*

Identify each benefit provided by the trustees to the individual –

- (a) in the current tax year, or an earlier tax year for which the individual was UK resident, and
- (b) if the individual is not the settlor, at a time when the individual was a close member of the settlor’s family.”;

(3) For subsection (2) substitute –

“(2) For the purposes of Step 1 in subsection (1), if –

- (a) the trustees provide a benefit to an individual in a given tax year,
  - (b) the individual is a close member of the settlor’s family when the benefit is provided,
  - (c) the individual is non-UK resident, or is a qualifying new resident, for the tax year, and
  - (d) the settlor is UK resident for the tax year,
- the benefit is instead treated as provided to the settlor.”

(4) In subsections (4) and (5), for “643M” substitute “643EA”.

15 For section 643C substitute –

**“643C Meaning of “available protected income” in section 643A**

(1) For the purposes of section 643A, take the following steps to determine the amount of “available protected income” in relation to an individual (“P”), a settlement and a tax year (“the current tax year”) –

*Step 1*

Identify the total amount of protected foreign-source income and transitional trust income that arose (at any time) under the settlement (“the total protected income”).

*Step 2*

Deduct any amount of the total protected income that is matched under the transfer of assets abroad code in the current tax year or an earlier tax year.

*Step 3*

Deduct any amount of the total protected income on which P or any other individual is liable to income tax in the current tax year or an earlier tax year.

*Step 4*

Deduct any amount that, in relation to the settlement, is treated under section 643A as P’s income in an earlier tax year or as another individual’s income in any tax year.

*Step 5*

Add back the amount of any income falling within Step 4 that is identified as qualifying foreign income on a foreign income claim made by P or any other individual for any tax year.

(2) For the purposes of Step 1 in subsection (1), ignore section 648(3) to (5) (foreign income treated as “arising” under settlement only if and when remitted).

(3) For the purposes of Step 2 in subsection (1), an amount of the total protected income is “matched under the transfer of assets abroad code” if it is matched under section 735A of ITA 2007 with –

- (a) benefits provided by the trustees to P or any other individual in the current tax year or in an earlier tax year, and
  - (b) an amount of income treated as arising to P or any other individual under section 732 of ITA 2007,
- or if it would be so matched if section 735A applied for those purposes.
- (4) For the purposes of Step 3 in subsection (1), ignore any liability to income tax arising under section 643A above or under section 731 of ITA 2007 (transfer of assets abroad: benefits charge).
  - (5) In Step 4 in subsection (1) and in subsection (4), a reference to section 643A includes, in relation to any of the tax years 2018-19 to 2024-25, section 643J and 643L (old onward gifting rules).”
- 16 (1) Section 643E (reimbursement of tax paid by settlor) is amended as follows.
- (2) In the heading, for “section 643A” substitute “643B(2)”.
  - (3) In subsection (1), for “section 643A(3) or (4)” substitute “section 643B(2) (benefit received by close family member attributed to settlor)”.
  - (4) In subsection (2), for paragraphs (a) and (b) substitute –
    - “(a) the tax year in which income is treated under section 643A as arising to the settlor,
    - (b) the amount of income treated as arising, and
    - (c) the amount of tax paid,”.
- 17 After section 643E insert –
- “643EA Onward gifts from non-residents or qualifying new residents**
- (1) Subsection (2) applies if –
    - (a) the trustees of a settlement provide a benefit (“the original benefit”) to an individual (“the original recipient”),
    - (b) the original recipient is non-UK resident, or is a qualifying new resident, for the tax year in which the original benefit is provided,
    - (c) section 643B(2) (close family member’s benefits attributed to settlor) does not apply to the provision of the original benefit to the original recipient,
    - (d) at the time when the original benefit is provided –
      - (i) there are arrangements, or an intention, as regards the (direct or indirect) passing on of the whole or part of the original benefit to another person, and
      - (ii) it is reasonable to expect that, if the whole or part of the original benefit is passed on to another person in accordance with the arrangements or intention, that other person will be UK resident when they receive at least part of what is passed on to them,

- (e) the original recipient provides a benefit (“the onward gift”) to another person (“the subsequent recipient”) –
    - (i) at the time when the original benefit is provided to the original recipient, or at any later time in the 3 years beginning with the day containing that time, or
    - (ii) at any time before the original benefit is provided to the original recipient and, it is reasonable to assume, in anticipation of the original benefit’s being provided,
  - (f) the onward gift is of or includes –
    - (i) the whole or part of the original benefit,
    - (ii) anything that (wholly or in part, and directly or indirectly) derives from, or represents, the whole or part of the original benefit, or
    - (iii) any other property, but only if the original benefit is provided with a view to enabling or facilitating, or otherwise in connection with, the property’s being provided to the subsequent recipient, and
  - (g) the subsequent recipient –
    - (i) is the settlor, or
    - (ii) is a close member of the settlor's family at the time when they receive the onward gift or, where the onward gift is provided as mentioned in subsection (1)(e)(ii), at the time given by subsection (4).
- (2) So much of the onward gift as falls within subsection (1)(f) is treated for the purposes of section 643B(1) and (2)(a) as a benefit provided by the trustees to the subsequent recipient at the time when the onward gift is provided.
- (3) For the purposes of subsection (1)(e), the circumstances in which the original recipient provides a benefit to the subsequent recipient include circumstances where there is a series of two or more benefits starting with a benefit provided by the original recipient and ending with a benefit provided to the subsequent recipient; and in such a case –
- (a) the onward gift is treated for the purposes of subsection (1)(e) as provided when the final benefit in the series is provided, and
  - (b) the reference to the onward gift in subsection (1)(f) is to be read as a reference to each benefit in the series.
- (4) Where the onward gift is made as mentioned in subsection (1)(e)(ii), it is treated for the purposes of subsection (2) as made immediately after, and in the tax year in which, the original benefit is provided to the original recipient.

- (5) Where the conditions in subsection (1)(e) to (g) are met in any case, it is to be presumed (unless the contrary is shown) that the condition in subsection (1)(d) is also met in that case.
- (6) In this section, “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”
- 18 (1) Section 643F (income attributed by section 643A to user of remittance basis) is amended as follows.
- (2) In subsection (1)–
- (a) in paragraph (a), for the words from “is treated” to the end substitute “was treated by section 643A as arising to an individual for any of the tax years 2018-19 to 2024-25, and”;
- (b) in paragraph (b), for “applies” substitute “applied”.
- (3) In subsection (6)–
- (a) in the definition of “protected income”, for “forms” substitute “under section 643C formed”;
- (b) in the definition of “the relevant individual”, in paragraphs (a) and (b), for “is treated” substitute “was treated”.
- (4) At the end insert–
- “(7) A reference in this section to section 643A or 643C (or to any provision of that section) is to that section (or provision) as it had effect for the tax year in which the deemed income was treated as arising to the individual.”
- 19 (1) Section 643G (section 643F(4): benefits and income “relating” to deemed income) is amended as follows.
- (2) In subsection (1)–
- (a) in paragraph (a), for “applies” substitute “applied”;
- (b) after paragraph (a) insert–
- (aa) references to section 643A, 643J or 643L (or to a provision of any of those sections) are to that section (or provision) as it had effect for the year,”.
- (3) In subsection (2)–
- (a) in paragraph (b), for “is allowed” substitute “was allowed”;
- (b) in paragraph (d), for “is”, in both places it occurs, substitute “was”;
- (c) in paragraph (e), for “is”, in both places it occurs, substitute “was”;
- (d) in paragraph (f), for “is treated” substitute “was treated”.
- 20 In section 643H (meaning of close member of settlor’s family), in the heading and in subsection (1), for “643B to 643M” substitute “643A to 643EA”.
- 21 Omit sections 643I to 643M (old onward gift provisions).

- 22 (1) Section 643N (person liable under section 643J or 643L and remittance basis applies) is amended as follows.
- (2) In the heading, for “applies” substitute “applied”.
- (3) In subsection (1) –
- (a) in paragraph (a) –
- (i) in the words before sub-paragraph (i), for “is treated as arising to an individual for a tax year” substitute “was treated as arising to an individual for the tax year 2024-25 or an earlier tax year”;
- (ii) in sub-paragraph (i), for “applies” substitute “applied”;
- (b) in paragraph (b), for “applies” substitute “applied”.
- (4) In subsection (3), after “onward payment” insert “referred to in section 643I(1)(d)”.
- (5) At the end insert –
- “(5) In this section, a reference to section 643I, 643J or 643L (or to a provision of any of those sections) is to that section (or provision) as it had effect for the tax year in which income was treated as arising to the individual.”
- 23 (1) Section 645 (property or income originating from settlor) is amended as follows.
- (2) In subsection (1), for “sections 628A and 644” substitute “section 644”.
- (3) After subsection (2) insert –
- “(2A) If the same property has been provided by more than one settlor for the purposes of the settlement, so much of the property as is attributable to each settlor on a just and reasonable apportionment is treated for the purposes of this section as provided by that settlor.”
- 24 (1) Section 646 (adjustments between settlor and trustees etc) is amended as follows.
- (2) In subsection (2), for paragraphs (a) and (b) substitute –
- “(a) the tax year in which income was treated as arising to the settlor under section 624 or 629 (as the case may be),
- (b) the amount of the income in respect of which the settlor has paid tax, and
- (c) the amount of tax paid.”
- (3) In subsection (6A) –
- (a) omit the “and” after paragraph (a);
- (b) at the end insert “, and
- (c) the tax year in which the income to which the repayment relates was treated as arising to the settlor.”

- 25 (1) Section 648 (income arising under a settlement) is amended as follows.
- (2) In subsection (1)(b), omit “domiciled and”.
- (3) In subsection (3)–
- (a) for “if, for a tax year, section 809B, 809D or 809E of ITA 2007 (remittance basis) applies”, substitute “if, for the tax year 2024-25 or an earlier tax year, section 809B, 809D or 809E of ITA 2007 (remittance basis) applied”;
- (b) for “relevant foreign income” substitute “specified foreign income”.
- (4) At the end insert–
- “(6) In subsection (3), “specified foreign income” means income that would be relevant foreign income if it were the income of a UK resident individual.”

## PART 2

### TRANSFER OF ASSETS ABROAD

- 26 Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) is amended in accordance with this Part of this Schedule.
- 27 In section 718 (meaning of “person abroad” etc)–
- (a) in subsection (1), for the words from “means” to the end, substitute “means a person who is resident outside the United Kingdom.”;
- (b) omit subsection (3).
- 28 In section 720 (charge to tax on income treated as arising under section 721)–
- (a) in subsection (4), omit “and section 726 (non-UK domiciled individuals to whom remittance basis applies)”;
- (b) in subsection (7), for “742A” substitute “742”.
- 29 In section 721 (individuals with power to enjoy income as a result of relevant transactions), for subsections (3B) and (3BA) substitute–
- “(3B) The amount of the income treated as arising under subsection (1) is equal to the amount of the income of the person abroad (subject to sections 724 and 725).”
- 30 Omit sections 721A and 721B (meaning of “protected foreign-source income” etc).
- 31 After section 725 insert–
- “725A Recovery of tax paid as a result of section 721**
- (1) Where any tax for which an individual is liable as a result of section 721 is paid, the individual is entitled to recover the amount of the tax from the person abroad.

- (2) For the purpose of recovering that amount, the individual is entitled to require an officer of Revenue and Customs to give the individual a certificate specifying –
- (a) the tax year in which income is treated under section 721 as arising to the individual,
  - (b) the amount of income treated as arising, and
  - (c) the amount of tax paid,
- and any such certificate is conclusive evidence of the facts stated in it.”
- 32 (1) Section 726 (remittance basis etc) is amended as follows.
- (2) For the heading substitute “Qualifying new residents and remittance-basis users: “foreign” deemed income”.
- (3) For subsection (1) substitute –
- “(1) Subsection (2) applies in relation to income treated under section 721 as arising to an individual (“the deemed income”) –
- (a) in the tax year 2024-25 or an earlier tax year if section 809B, 809D or 809E (remittance basis) applied to the individual for that tax year, or
  - (b) in the tax year 2025-26 or a later tax year if the individual is entitled to claim relief under section 845A of ITTOIA 2005 (qualifying new residents) for that tax year.”
- (4) After subsection (2) insert –
- “(2A) Subsections (3) to (5) apply where the deemed income falls within subsection (1)(a).”
- (5) Omit subsections (6) and (7).
- (6) At the end insert –
- “(8) As to income falling within subsection (1)(b), see the table in section 845F of ITTOIA 2005 (under which deemed income that is foreign for the purposes of this section is “qualifying foreign income” and so may be identified in a foreign income claim).”
- 33 In section 727 (charge to tax on income treated as arising under section 728) –
- (a) omit subsection (3A);
  - (b) in subsection (5), for “742A” substitute “742”.
- 34 In section 728 (individuals receiving capital sums as a result of relevant transactions), for subsections (1A) and (1B) substitute –
- “(1A) The amount of the income treated as arising under subsection (1) is equal to the amount of the income of the person abroad (subject to subsection (2)).”
- 35 Omit section 729A (meaning of “protected foreign-source income”).

36 Before section 730 insert –

**“729B Recovery of tax paid as a result of section 728**

- (1) Where any tax for which an individual is liable as a result of section 728 is paid, the individual is entitled to recover the amount of the tax from the person abroad.
- (2) For the purpose of recovering that amount, the individual is entitled to require an officer of Revenue and Customs to give the individual a certificate specifying –
  - (a) the tax year in which income is treated under section 728 as arising to the individual,
  - (b) the amount of income treated as arising, and
  - (c) the amount of tax paid,and any such certificate is conclusive evidence of the facts stated in it.”

37 (1) Section 730 (remittance basis etc) is amended as follows.

(2) For the heading substitute “Qualifying new residents and remittance-basis users: “foreign” deemed income”.

(3) For subsection (1) substitute –

“(1) Subsection (2) applies in relation to income treated under section 728 as arising to an individual (“the deemed income”) –

- (a) in the tax year 2024-25 or an earlier tax year if section 809B, 809D or 809E (remittance basis) applied to the individual for that tax year, or
- (b) in the tax year 2025-26 or a later tax year if the individual is entitled to claim relief under section 845A of ITTOIA 2005 (qualifying new residents) for that tax year.”

(4) After subsection (2) insert –

“(2A) Subsections (3) to (5) apply where the deemed income falls within subsection (1)(a).”

(5) Omit subsections (6) and (7).

(6) At the end insert –

“(8) As to income falling within subsection (1)(b), see the table in section 845F of ITTOIA 2005 (under which deemed income that is foreign for the purposes of this section is “qualifying foreign income” and so may be identified in a foreign income claim).”

38 (1) Section 731 (charge to tax on income treated as arising under section 732) is amended as follows.

(2) In subsection (1), for “individuals receiving a benefit” substitute “non-transferors receiving a benefit”.

(3) Omit subsections (1A) to (1C) and (2A).

- (4) In subsection (3), omit “, but this is subject to section 733A”.
  - (5) In subsection (4), for “742A” substitute “742”.
- 39 (1) Section 732 (deemed income where benefit received) is amended as follows.
- (2) In the heading, for “Individuals” substitute “Non-transferors”.
  - (3) In subsection (1) –
    - (a) in paragraph (b), for “receives a benefit in a tax year” substitute “who is UK resident for a tax year receives a benefit in that tax year”;
    - (b) for paragraph (d) substitute –
      - “(d) the individual is not liable to income tax under section 720 or 727 by reference to the transfer and would not be so liable if the effect of sections 726 and 730 were ignored.”.
  - (4) Omit subsection (4).
- 40 (1) Section 733 (income charged under section 731) is amended as follows.
- (2) In subsection (1), in Step 2, omit the words from “except that” to “for an earlier tax year”.
  - (3) After subsection (2) insert –
    - “(2A) For the purposes of subsection (1), the amount deducted at Step 2 does not include the amount of any income on which tax was not charged under section 731 by virtue of –
      - (a) section 735AD(2) (transferor not taxable under benefits charge except where benefit matched to protected foreign-source income etc), or
      - (b) section 731(1A) (equivalent provision for tax years 2024-25 and earlier).”
- 41 Omit sections 733A to 733E and 734A (old provision about protected foreign-source income)
- 42 (1) Section 735 (remittance basis etc) is amended as follows.
- (2) For the heading substitute “Qualifying new residents and remittance-basis users: “foreign” deemed income”.
  - (3) For subsection (1) substitute –
    - “(1) Subsection (2) applies in relation to income treated under section 732 as arising to an individual (“the deemed income”) –
      - (a) in the tax year 2024-25 or an earlier tax year if section 809B, 809D or 809E (remittance basis) applied to the individual for that tax year, or
      - (b) in the tax year 2025-26 or a later tax year if the individual is entitled to claim relief under section 845A of ITTOIA 2005 (qualifying new residents) for that tax year.”

- (4) After subsection (2) insert—
- “(2A) Subsections (3) to (5) apply where the deemed income falls within subsection (1)(a).”
- (5) At the end insert—
- “(6) As to income falling within subsection (1)(b), see the table in section 845F of ITTOIA 2005 (under which deemed income that is foreign for the purposes of this section is “qualifying foreign income” and so may be identified in a foreign income claim).”
- 43 (1) Section 735A (matching rules) is amended as follows.
- (2) In subsection (1), for paragraph (b) substitute—
- “(b) deduct from those benefits any benefit so far as—
- (i) chargeable gains (or offshore income gains) are treated as mentioned in section 734(1)(d) as accruing by reference to the benefit,
- (ii) income is treated as mentioned in section 735AG(1)(b) as arising by reference to the benefit under section 643A, 643J or 643L of ITTOIA 2005 (settlements: benefits charge), or
- (iii) income is treated as arising by reference to the benefit under section 732(2) and that income is identified in a foreign income claim.”.
- (3) in subsection (6), for “the individual, or as a result of section 733A another person” substitute “a person”.
- 44 After section 735A insert—
- “Transitional provision about protected foreign-source income and transitionally protected income*

### **735AA Settlements to which following sections apply**

- (1) Sections 735AB to 735C apply if—
- (a) a relevant transfer occurred before 6 April 2025,
- (b) the person abroad was—
- (i) the trustees of a settlement, or
- (ii) a company in which the trustees of a settlement were participators or indirect participators, and
- (c) protected foreign-source income or transitionally protected income arose in relation to the transfer.
- (2) In sections 735AB to 735C—
- “the relevant transfer” means the transfer referred to in subsection (1)(a);
- “the settlement” means the settlement referred to in subsection (1)(b)(i) or (ii) (as the case may be);

“the settlor” means the settlor of that settlement.

- (3) For the purposes of subsection (1)(b)(ii), the trustees of a settlement are “indirect participators” in a company if they are participators in the first in a chain of two or more companies where the last company in the chain is the person abroad and where each company in the chain (except the last) is a participator in the next company in the chain.

### **735AB “Protected foreign-source income” and “transitionally protected income”**

- (1) For the purposes of sections 735AA to 735AF –
- “protected foreign-source income”, in relation to the relevant transfer, means income of the person abroad that by reference to the transfer –
- (a) would have been treated as arising to the settlor under section 721 in any of the tax years 2017-18 to 2024-25 had it not been protected foreign-source income within the meaning of section 721A (as that section had effect for that tax year), or
  - (b) would have been treated as arising to the settlor under section 728 in any of the tax years 2017-18 to 2024-25 had it not been protected foreign-source income within the meaning of section 729A (as that section had effect for that tax year);
- “transitionally protected income”, in relation to the relevant transfer, means income of the person abroad that by reference to the transfer –
- (a) was treated as arising to the settlor under section 721 or 728 in a tax year earlier than the tax year 2017-18,
  - (b) was not remitted to the United Kingdom in a tax year earlier than the tax year 2017-18, and
  - (c) was transitionally protected income within the meaning of section 726(7) or 730(7) throughout the tax years 2017-18 to 2024-25 (as that section had effect for those tax years).
- (2) In subsection (1), in paragraph (b) of the definition of “transitionally protected income”, “remitted to the United Kingdom” is to be read in accordance with Chapter A1 of Part 14 (read with section 726 or 730 as the case may be).

### **735AC Transitionally protected income not to be taxed on remittance**

Section 832 of ITTOIA 2005 (relevant foreign income charged on remittance basis) does not apply to transitionally protected income.

### **735AD Settlor liable for benefits charge despite being transferor**

- (1) For the purposes of section 732 (benefits charge: deemed income), subsection (1)(d) of that section (benefits charge confined to individuals not liable under section 720 or 727) is to be disregarded where the individual who receives the benefit is the settlor.
- (2) But any income treated as arising to the settlor under section 732(2) is not taxed under section 731 unless the income would, assuming that section 735A applied for this purpose by reference to the settlor, be matched under that section with an amount of relevant income that is protected foreign-source income or transitionally protected income in relation to the relevant transfer.

### **735AE Settlor liable in place of close family member**

- (1) If—
  - (a) a benefit is provided to an individual in a given tax year out of assets which are available for the purpose as a result of—
    - (i) the relevant transfer, or
    - (ii) one or more associated operations,
  - (b) the individual is a close member of the settlor’s family at the time when the benefit is provided,
  - (c) the individual is non-UK resident, or is a qualifying new resident, for the tax year in which the benefit is provided, and
  - (d) the settlor is UK resident for that tax year,the benefit is instead treated for the purposes of section 732 and section 735AD(1) as provided to the settlor.
- (2) For the purposes of this section, a person is a “close member of the settlor’s family” at any time if the settlor is living at that time and—
  - (a) the person is the settlor’s spouse or civil partner at that time, or
  - (b) the person—
    - (i) is a child of the settlor, or of a person who at that time is the settlor’s spouse or civil partner, and
    - (ii) at that time has not reached the age of 18.
- (3) For the purposes of subsection (2), two people living together as if they were a married couple or civil partners are treated as if they were spouses or civil partners of each other.
- (4) Where any tax for which the settlor is liable as a result of this section is paid, the settlor is entitled to recover the amount of the tax from the individual concerned.

- (5) For the purpose of recovering that amount, the settlor is entitled to require an officer of Revenue and Customs to provide the settlor with a certificate specifying –
- (a) the tax year in which income was treated as arising to the settlor,
  - (b) the amount of income treated as arising, and
  - (c) the amount of tax paid,
- and any such certificate is conclusive evidence of the facts stated in it.

### **735AF Onward gifts from non-residents or qualifying new residents**

- (1) Subsection (2) applies if –
- (a) a benefit (“the original benefit”) is provided to an individual (“the original recipient”) out of assets which are available for the purpose as a result of –
    - (i) the relevant transfer, or
    - (ii) one or more associated operations,
  - (b) the original recipient is non-UK resident, or is a qualifying new resident, for the tax year in which they receive the original benefit,
  - (c) section 735AE(1) (close family member’s benefits attributed to settlor) does not apply to the provision of the original benefit to the original recipient,
  - (d) at the time when the original benefit is provided –
    - (i) there are arrangements, or there is an intention, as regards the (direct or indirect) passing on of the whole or part of the original benefit to another person, and
    - (ii) it is reasonable to expect that, if the whole or part of the original benefit is passed on to another person in accordance with the arrangements or intention, that other person will be UK resident when they receive at least part of what is passed on to them,
  - (e) the original recipient provides a benefit (“the onward gift”) to another person (“the subsequent recipient”) –
    - (i) at the time when the original benefit is received by the original recipient, or at any later time in the 3 years beginning with the day containing that time, or
    - (ii) at any time before the original benefit is received by the original recipient and, it is reasonable to assume, in anticipation of the original benefit’s being provided, and
  - (f) the onward gift is of or includes –
    - (i) the whole or part of the original benefit,

- (ii) anything that (wholly or in part, and directly or indirectly) derives from, or represents, the whole or part of the original benefit, or
  - (iii) any other property, but only if the original benefit is provided with a view to enabling or facilitating, or otherwise in connection with, the property's being provided to the subsequent recipient.
- (2) For the purposes of sections 732, 735AD(1) and 735AE(1), so much of the onward gift as falls within subsection (1)(f) is (so far as would not otherwise be the case) treated as a benefit provided to the subsequent recipient out of assets which are available for the purpose as a result of an associated operation in relation to the relevant transfer.
- (3) For the purposes of subsection (1)(e), the circumstances in which the original recipient provides a benefit to the subsequent recipient include circumstances where there is a series of two or more benefits starting with a benefit provided by the original recipient and ending with a benefit provided to the subsequent recipient; and in such a case –
  - (a) the onward gift is treated for the purposes of subsection (1)(e) as provided when the final benefit in the series is provided, and
  - (b) the reference to the onward gift in subsection (1)(f) is to be read as a reference to each benefit in the series.
- (4) Where the conditions in subsection (1)(e) and (f) are met, it is to be presumed, unless the contrary is shown, that the condition in subsection (1)(d) is also met.
- (5) In subsection (1)(d), “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

#### **735AG Deduction allowed for previous settlements charge**

- (1) This section applies if –
  - (a) benefits provided as mentioned in section 732(1)(c) are received in a tax year, and
  - (b) income is treated under section 643A of ITTOIA 2005 as arising to a person in that or a subsequent tax year by reference (direct or indirect) to the whole or part of any benefits so provided.
- (2) For any tax year after one in which such income is so treated, the amount of income treated as arising to the individual under section 732(2) in respect of benefits provided as mentioned in section 732(1)(c) as a result of the transfer or operations in question is calculated as follows.

- (3) The amount is calculated under section 733(1) as if the total untaxed benefits were reduced by the amount of that income.
  - (4) The reference in subsection (1)(b) to income treated as arising under section 643A of ITTOIA 2005 includes, in relation to any of the tax years 2018-19 to 2024-25, a reference to income treated as arising under section 643J or 643L of ITTOIA 2005 (settlements code: old onward gift provisions).
  - (5) In this section “the total untaxed benefits” has the same meaning as in section 733(1) (see Step 2).”
- 45 (1) Section 735B (settlor charge: remittance-basis users) is amended as follows.
- (2) For the heading substitute “Historical liability under section 733A where remittance basis applied”.
  - (3) For subsection (1) substitute –
    - “(1) This section applies in relation to income if –
      - (a) the income was treated under section 732 as arising to an individual (“the beneficiary”) for any of the tax years 2017-18 to 2024-25,
      - (b) the settlor was under section 733A(2) or (3) (as it had effect for that tax year) liable for tax on the income, and
      - (c) section 809B, 809D or 809E (remittance basis) applied to the settlor for that year.”
- 46 (1) Section 735C (old onward gifts provisions: remittance-basis users) is amended as follows.
- (2) For the heading substitute “Historical operation of section 733C or 733E where remittance basis applied”.
  - (3) In subsection (1) –
    - (a) in paragraph (a) –
      - (i) for the words before sub-paragraph (i) substitute “the income was treated as arising to an individual for any of the tax years 2018-19 to 2024-25”;
      - (ii) in sub-paragraph (i), for “applies” substitute “applied”;
    - (b) in paragraph (b), for “applies” substitute “applied”.
  - (4) After subsection (4) insert –
    - “(5) A reference in subsection (1) to section 733C or 733E (or to any provision of either section) is to that section (or provision) as it had effect for the tax year for which income was treated as arising to the individual.”
- 47 In section 736 (exemptions: introduction) –
- (a) in subsection (1), for “742A” substitute “742”;
  - (b) omit subsection (2A).

- 48 Omit section 742A (post-5 April 2012 transactions: exemption for genuine transactions).
- 49 In section 744 (meaning of “taking income into account in charging income tax” for section 743), at the end insert –
- “(5) Where an amount would have been charged to income tax under section 731 but for an election under Schedule 3 to FA 2025 (temporary repatriation facility), subsection (4) applies as if the amount had been charged to income tax under that section.”
- 50 In section 747 (amounts corresponding to accrued income profits and related interest), in subsection (1)(b) and subsection (4)(b), omit “or domiciled”.
- 51 In section 751 (tribunal’s jurisdiction on appeals), omit paragraph (da).

### PART 3

#### SETTLEMENTS (CHARGEABLE GAINS)

- 52 TCGA 1992 is amended in accordance with this Part of this Schedule.
- 53 In section 1A (territorial scope), in subsection (2)(e), omit “87K, 87L”.
- 54 In section 1E (losses deductible only when within scope of tax etc), omit subsection (4).
- 55 In section 62 (death: general provisions), in subsection (2A)(a), omit “, 87K, 87L”.
- 56 (1) Section 86 (attribution of gains to settlors with interest in non-resident or dual resident settlements) is amended as follows.
- (2) In subsection (1)(c), omit “is domiciled in the United Kingdom at some time in the year and”.
- (3) Omit subsection (3A).
- (4) In subsection (4), omit paragraph (b) and the “and” before it.
- (5) At the end insert –
- “(6) See also paragraph 3 of Schedule D1 (foreign gain claims: foreign gains and losses of the trustees ignored for the purposes of subsection (1)(e)).”
- 57 In section 86A (attribution of gains to settlor where temporarily non-resident), in subsection (1)(b), omit “, 87K, 87L”.
- 58 In section 87 (non-UK resident settlements: attribution of gains to beneficiaries), at the end insert –
- “(8) See also paragraph 4 of Schedule D1 (foreign gain claims: capital payments ignored for the purposes of this section and Schedule 4C).”
- 59 (1) Section 87B (section 87: remittance basis) is amended as follows.

- (2) In subsection (1) –
    - (a) in paragraph (a) –
      - (i) for “are treated” substitute “were treated”;
      - (ii) for “a tax year” substitute “the tax year 2024-25 or an earlier tax year”;
    - (b) in paragraph (b), for “applies” substitute “applied”.
  - (3) In subsection (2), for “chargeable gains accruing” substitute “treated as having accrued”.
  - (4) In subsection (4), for “are treated as accruing consists of” substitute “were treated as accruing consisted of”.
  - (5) At the end insert –
    - (5) The references in this section to sections 87I(1)(c), 87K and 87L (which were repealed by Part 3 of Schedule 5 to the Finance Act 2025) are to those provisions as they had effect for the tax year in which the chargeable gains were treated as accruing to the individual.”
- 60 (1) Section 87D (sections 87 and 87A: capital payments to non-residents disregarded) is amended as follows.
- (2) In subsection (1), omit paragraph (b) and the “and” before it.
- 61 (1) Section 87G (settlor liable if capital payment received by close family member) is amended as follows.
- (2) In subsection (1)(b), for “at any time in that year” substitute “for that tax year”.
  - (3) After subsection (2) insert –

“(2A) But subsection (2) does not apply if –

    - (a) the original recipient is resident in the United Kingdom for the tax year in which they receive the capital payment, and
    - (b) the settlor is a qualifying new resident for that tax year.”
  - (4) In subsection (4) –
    - (a) omit the “and” after paragraph (a);
    - (b) after paragraph (b) insert “and
    - (c) the tax year in which those gains were treated as arising.”
- 62 In section 87H (meaning of “close member of the settlor’s family”), in subsection (1), for “87D, 87G and 87L” substitute “87D and 87G”.
- 63 For sections 87I to 87M (old onward gifting provisions) substitute –
- “87HA Onward gifts from non-residents or qualifying new residents**
- (1) Subsection (2) applies if –

- (a) a person (“the original recipient”) receives a capital payment (“the original benefit”) from the trustees of a settlement,
  - (b) the original recipient is not resident in the United Kingdom, or is a qualifying new resident, for the tax year in which they receive the original benefit,
  - (c) section 87G(2) (close family member’s benefits attributed to settlor) does not apply to the provision of the original benefit to the original recipient,
  - (d) at the time when the person receives the original benefit –
    - (i) there are arrangements, or an intention, as regards the (direct or indirect) passing on of the whole or part of the original benefit to another person, and
    - (ii) it is reasonable to expect that, if the whole or part of the original benefit is passed on to another person in accordance with the arrangements or intention, that other person will be resident in the United Kingdom when they receive at least part of what is passed on to them,
  - (e) the original recipient provides a benefit (“the onward gift”) to a person (“the subsequent recipient”) –
    - (i) at the time when the original benefit is provided to the original recipient or at any later time in the 3 years beginning with the day containing that time, or
    - (ii) at any time before the original benefit is made to the original recipient and, it is reasonable to assume, in anticipation of the original benefit’s being made,
  - (f) the onward gift is of or includes –
    - (i) the whole or part of the original benefit
    - (ii) anything that (wholly or in part, and directly or indirectly) derives from, or represents, the whole or part of the original benefit, or
    - (iii) any other property, but only if the original benefit is provided with a view to enabling or facilitating, or otherwise in connection with, the providing of the onward gift to the subsequent recipient, and
  - (g) the subsequent recipient is resident in the United Kingdom for the tax year in which they receive the onward gift.
- (2) So much of the onward gift as falls within subsection (1)(f) is treated for the purposes of sections 87, 87A , 87D(2) and 87G(2) as a capital payment received from the trustees by the subsequent recipient at the time when the onward gift is provided.
- (3) Where subsection (2) applies, the subsequent recipient is treated as having received the capital payment as a beneficiary of the settlement (whether or not they are otherwise a beneficiary of it).

- (4) For the purposes of subsection (1)(e), the circumstances in which the original recipient provides a benefit to the subsequent recipient include circumstances where there is a series of two or more benefits starting with a benefit provided by the original recipient and ending with a benefit provided to the subsequent recipient; and in such a case—
    - (a) the onward gift is treated for the purposes of subsection (1)(e) as provided when the final benefit in the series is provided, and
    - (b) the reference to the onward gift in subsection (1)(f) is to be read as a reference to each benefit in the series.
  - (5) Where the onward gift is made as mentioned in subsection (1)(e)(ii), the onward gift is treated for the purposes of subsection (2) as made in the tax year in which the original benefit is made to the original recipient.
  - (6) Where the conditions in subsection (1)(e) to (g) are met, it is to be presumed (unless the contrary is shown) that the condition in subsection (1)(d) is also met.
  - (7) In this section, “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”
- 64 In section 91 (increase in tax payable under section 87 or 89(2)), in subsection (1)(a), omit “, 87K, 87L”.
- 65 In section 97 (supplementary provisions)—
- (a) in subsection (1)(a)(ii), for the words from “any of sections 643A” to the end of the sub-paragraph, substitute “Chapter 5 of Part 5 of ITTOIA 2005 (settlements) or Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad)”;
  - (b) in subsection (3), for the words from “section 643A” to “ITA 2007”, substitute “Chapter 5 of Part 5 of ITTOIA 2005 (settlements) or Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad)”.
- 66 In section 279A (deferred unascertainable consideration: election for treatment of loss), in subsection (7)(b), omit “, 87K, 87L”.
- 67 In section 279C (effect of election under section 279A), in subsection (6)(c), omit “, 87K, 87L”.
- 68 In Schedule 1 (UK resident individuals not domiciled in UK), in paragraph 3(5), omit paragraph (b) and the “and” before it.
- 69 (1) Schedule 4C (transfers of value: attribution of gains to beneficiaries) is amended as follows.
- (2) In paragraph 8(6), after “87G(2),” insert “87HA(2),”.
- 70 (1) Schedule 5 (attribution of gains to settlors with interest in non-resident or dual resident settlement) is amended as follows.

- (2) In paragraph 1 (construction of section 86(1)(e): losses etc), after sub-paragraph (6) insert –

“(6A) In construing section 86(1)(e) as regards a particular year of assessment, if –

- (a) section 86 did not apply to the settlement in a year of assessment ending before 6 April 2025 (“the earlier year”), but
- (b) that section would have applied to the settlement in the earlier year if the condition in section 86(1)(e) (settlor domiciled in the United Kingdom) had been met in the earlier year,

deductions shall be made in respect of losses accruing in the earlier year, but only so far as those losses have not been taken into account for the purposes of section 87 in determining the section 1(3) amount for the settlement for the earlier year.”

- (3) Omit paragraphs 5A and 5B (protections for deemed domiciles etc).  
 (4) After paragraph 5 insert –

*“Old section 87 rebasing elections to apply in relation to section 86*

5C (1) This paragraph applies if –

- (a) the trustees of the settlement made (at any time) an election under paragraph 126(1) of Schedule 7 to the Finance Act 2008 (remittance basis: capital gains rebasing), and
- (c) an amount of chargeable gains would (apart from this paragraph) be treated as accruing to the settlor under section 86(4) in a tax year (“the relevant tax year”).

- (2) The settlor is not charged to capital gains tax on so much of the chargeable gains as exceeds the relevant proportion of those gains.  
 (3) For that purpose “the relevant proportion” is –

$$\frac{A}{B}$$

where –

A is the amount that would be treated under section 86(4) as accruing to the settlor in the relevant tax year if immediately before 6 April 2008 every relevant asset had been sold by the trustees and immediately re-acquired by them at its market value at that time, and

B is the amount mentioned in sub-paragraph (1)(c).

- (4) In sub-paragraph (3), “relevant asset” means an asset –  
 (a) that was disposed of in the relevant tax year, and

- (b) that was comprised in the settlement from the beginning of 6 April 2008 until its disposal.”
- (5) In paragraph 6 (right of recovery), in sub-paragraph (3) –
  - (a) omit the “and” after paragraph (a);
  - (b) after paragraph (b) insert “, and
  - (c) the tax year in which gains were treated as accruing under section 86(4),”.

#### PART 4

##### COMMENCEMENT AND TRANSITIONAL PROVISION

###### *Commencement*

71 Parts 1 to 3 of this Schedule come into force on 6 April 2025.

###### *Onward gifts: settlements (income)*

- 72 (1) Section 643EA of ITTOIA 2005 (onward gifts from non-residents or qualifying new residents), as inserted by paragraph 17 of this Schedule, applies where the onward gift is provided on or after 6 April 2025, even if the original benefit was provided before that date.
- (2) Where the original benefit was provided before 6 April 2025, that section applies as if for subsection (1)(b) there were substituted –
- “(b) either –
    - (i) the original recipient is non-UK resident for the tax year in which the original benefit is provided, or
    - (ii) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the original recipient for that tax year,”.
  - (3) In this paragraph, “the original benefit” and “the onward gift” have the same meanings as in section 643EA of ITTOIA 2005; and in a case within section 643EA(3) “the onward gift” means the final benefit in the series.

- 73 Despite the repeal of section 643M of ITTOIA 2005 by paragraph 21 of this Schedule, that section continues to have effect so far as –
- (a) it provided before its repeal for a benefit of a particular amount to be treated for the purposes of section 643B of that Act as having been provided to a particular person at a particular time, and
  - (b) the receipt of the benefit by the person is relevant to the application of section 643B of that Act in the tax year 2025-26 or a later tax year.

###### *Onward gifts: transfer of assets abroad*

- 74 (1) Section 735AF of ITA 2007 (onward gifts from non-residents or qualifying new residents), as inserted by paragraph 44 of this Schedule, applies where

the onward gift is provided on or after 6 April 2025, even if the original benefit was provided before that date.

- (2) Where the original benefit was provided before 6 April 2025, that section applies as if for subsection (1)(b) there were substituted –
- “(b) either –
- (i) the original recipient is non-UK resident for the tax year in which the original benefit is provided, or
- (ii) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the original recipient for that tax year.”.
- (3) In this paragraph, “the original benefit” and “the onward gift” have the same meanings as in section 735AF of ITA 2007; and in a case within section 735AF(3) “the onward gift” means the final benefit in the series.

*Onward gifts: settlements (chargeable gains)*

- 75 (1) Section 87HA of TCGA 1992 (benefits routed via non-residents or qualifying new residents), as inserted by paragraph 63 of this Schedule, applies where the onward gift is provided on or after 6 April 2025, even if the original benefit was provided before that date.
- (2) Where the original benefit was provided before 6 April 2025, that section applies as if for subsection (1)(b) there were substituted –
- “(b) either –
- (i) the original recipient is non-UK resident for the tax year in which they receive the original benefit, or
- (ii) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the original recipient for that tax year.”.
- (3) In this paragraph, “the original benefit” and “the onward gift” have the same meanings as in section 87HA of TCGA 1992; and in a case within section 87HA(4) “the onward gift” means the final benefit in the series.

- 76 Despite the repeal of sections 87K and 87L of TCGA 1992 (old onward gifting rules) by paragraph 63 of this Schedule, each of those sections continues to have effect so far as –
- (a) before its repeal, it provided for section 87 and 87A of that Act to have effect as if a capital payment of a particular amount had been received at a particular time by a particular person, and
- (b) the receipt of the capital payment by that person is relevant to the application of sections 87 and 87A in the tax year 2025-26 or a later tax year.

SCHEDULE 6

Section 10

INHERITANCE TAX

**PART 1**

AMENDMENTS TO IHTA 1984 AND RELATED LEGISLATION

*IHTA 1984*

- 1 IHTA 1984 is amended as follows.
- 2 In section 5 (meaning of estate), for subsection (1B) substitute—
  - “(1B) An interest in possession falls within this subsection if—
    - (a) the person became beneficially entitled to it on or after 9 December 2009 by virtue of a disposition that was prevented from being a transfer of value by section 10 (no gratuitous benefit), and
    - (b) the person—
      - (i) has been a long-term UK resident at any time on or after 6 April 2025 while beneficially entitled to it, or
      - (ii) became beneficially entitled to it at a time before 6 April 2025 while domiciled in the United Kingdom.”
- 3 In section 6 (excluded property), omit subsection (3).
- 4 In section 8D(9), omit the definitions of “tax year” and “the tax year 2017-18”.
- 5 In section 13A(3), omit the definition of “tax year”.
- 6 In section 18 (transfers between spouses or civil partners), in subsection (2), for “domiciled in the United Kingdom” substitute “a long-term UK resident”.
- 7 In section 28A, omit subsection (3).
- 8 (1) Section 53 (exceptions from charge under section 52) is amended as follows.
  - (2) In subsection (4), for “domiciled in the United Kingdom” substitute “a long-term UK resident”.
  - (3) After subsection (4) insert—
    - “(4A) Tax shall not be chargeable under section 52 above if—
      - (a) the settled property became comprised in the settlement before 30 October 2024,
      - (b) immediately before 30 October 2024, the settled property was excluded property by virtue of section 48(3) or (3A) (as it had effect at that time),
      - (c) the person whose interest comes to an end became beneficially entitled to the interest before 30 October 2024, and

- 
- (d) at all times on and after 30 October 2024 and before the time when the person’s interest in possession in it comes to an end, the settled property –
- (i) was situated outside the United Kingdom and was not property to which paragraph 2 or 3 of Schedule A1 applied (overseas property with value attributable to UK residential property), or
  - (ii) was a holding in an authorised unit trust or a share in an open-ended investment company.”
- 9 (1) Section 54 (exceptions from charge on death) is amended as follows.
- (2) In subsections (2) and (2B)(e), for “domiciled in the United Kingdom” substitute “a long-term UK resident”.
- (3) After subsection (2B) insert –
- “(2C) Where –
- (a) a person who is entitled to an interest in possession in settled property dies,
  - (b) the settled property became comprised in the settlement before 30 October 2024,
  - (c) immediately before 30 October 2024, the settled property was excluded property by virtue of section 48(3) or (3A) (as it had effect at that time),
  - (d) the person became beneficially entitled to the interest before 30 October 2024, and
  - (e) at all times on and after 30 October 2024 and before the person’s death, the settled property –
- (i) was situated outside the United Kingdom and was not property to which paragraph 2 or 3 of Schedule A1 applied (overseas property with value attributable to UK residential property), or
  - (ii) was a holding in an authorised unit trust or a share in an open-ended investment company,
- the value of the settled property shall be left out of account in determining for the purposes of this Act the value of the person’s estate immediately before their death.
- (2D) Where a person became beneficially entitled to an interest in possession in settled property on or after 22 March 2006, subsection (2C) applies in relation to the interest only if it is –
- (a) an immediate post-death interest,
  - (b) a disabled person’s interest, or
  - (c) a transitional serial interest,
- or falls within section 5(1B) (certain interests acquired with no gratuitous benefit).”
- 10 (1) Section 64 (charge at ten-year anniversary) is amended as follows.

- (2) In subsection (1B), for the words from the beginning to “ten-year anniversary falls” substitute “Where the settlor of property comprised in a settlement meets the condition in subsection (1BZA)”.
  - (3) After that subsection insert –
    - “(1BZA) The condition is that the settlor –
      - (a) is alive and is not a long-term UK resident immediately before the ten-year anniversary,
      - (b) died on or after 6 April 2025 and was not a long-term UK resident immediately before their death, or
      - (c) died before 6 April 2025 and was not domiciled in the United Kingdom when the property became comprised in the settlement.”
  - (4) In subsection (1BA), for “subsection (1B)” substitute “subsection (1BZA)(c)”.
- 11 (1) Section 65 (exit charges etc) is amended as follows.
- (2) In subsection (7), for “section 48(3)(a) above” substitute “section 48ZA”.
  - (3) In subsection (7A), for the words from “becomes excluded property” to the end, substitute “is invested in a holding in an authorised unit trust or a share in an open-ended investment company and thereby becomes excluded property by virtue of section 48ZA”.
  - (4) Omit subsection (7B).
  - (5) In subsection (7C), for “section 48(3)(a) above” substitute “section 48ZA”.
  - (6) In subsection (8), for the words from the beginning to “subsection (8A))”, substitute “If the condition in subsection (8ZA) is met in relation to property comprised in a settlement”.
  - (7) After subsection (8) insert –
    - “(8ZA) The condition is that the settlor –
      - (a) is alive and is not a long-term UK resident,
      - (b) died on or after 6 April 2025 and was not a long-term UK resident immediately before they died, or
      - (c) died before 6 April 2025 and was not domiciled in the United Kingdom when the property became comprised in the settlement.”
  - (8) In subsection (8A), for “subsection (8)” substitute “subsection (8ZA)(c)”.
- 12 (1) Section 74A (arrangements involving acquisition of interest in settled property etc) is amended as follows.
- (2) In subsection (1) –
    - (a) in paragraph (b)(i), omit “domiciled in the United Kingdom”;
    - (b) after paragraph (b) insert –
      - “(ba) the individual –

- 
- (i) is a long-term UK resident at any time on or after 6 April 2025 during the course of the arrangements, or
    - (ii) acquired the interest, or became able to acquire it, at a time before 6 April 2025 while domiciled in the United Kingdom.”
  - (3) For subsection (2) substitute –
    - “(2) Condition A is that the relevant settled property is excluded property at any time during the course of the arrangements.  
Ignore for this purpose –
      - (a) section 48ZA(8) (as it has effect on and after 6 April 2025);
      - (b) section 48(3D) (as it had effect before 6 April 2025).”
  - 13 In section 75A, omit subsection (4).
  - 14 In section 80 (initial interest of settlor or spouse), in subsection (1), after “for the purposes of this Chapter” insert “(including sections 48 and 48ZA (excluded property) as they apply for the purposes of this Chapter)”.
  - 15 In section 81 (property moving between settlements), in subsection (1) –
    - (a) after “for the purposes of this Chapter” insert “(including sections 48 and 48ZA (excluded property) as they apply for the purposes of this Chapter)”;
    - (b) at the end insert “(but held on the trusts of the second)”.
  - 16 For section 81B substitute –
 

**“81B Excluded property: property to which section 80 applies**

    - (1) This section applies where –
      - (a) property is treated under section 80(1) as becoming comprised in a settlement, and
      - (b) the property would, apart from this section, be excluded property by virtue of meeting the condition in any of subsections (2) to (4) of section 48ZA (excluded property: long-term residence and domicile tests).
    - (2) For the purposes of this Chapter, except sections 78 and 79, the property is only excluded property if the condition in any of those subsections (whether or not the same one) is met by reference to the actual settlor and the actual settlement.
    - (3) Section 65(8) (no exit charge where property invested in Treasury securities thereby becomes excluded property) applies in relation to the property only if the condition in section 65(8ZA) is met by reference to the actual settlor.
    - (4) In this section, “the actual settlor” means the person who is the settlor of the property in relation to the settlement first mentioned in section 80(1); and “the actual settlement” means that settlement.

- (5) This section does not apply in relation to property that is a holding in an authorised unit trust or a share in an open-ended investment company if the occasion first referred to in section 80(1) occurred before 22 July 2020.”
- 17 Omit sections 82 and 82A (excluded property: property to which section 81 applies).
- 18 In section 94 (close companies: charge on participators), in subsection (2)(b), for “domiciled outside the United Kingdom” substitute “not a long-term UK resident”.
- 19 In section 136 (transfers within three years before death: transactions of close companies), in subsection (3), for “domiciled in the United Kingdom” substitute “a long-term UK resident”.
- 20 In section 155 (visiting forces etc), in subsections (2) and (5B), omit “or domicile”.
- 21 (1) Section 157 (non-residents’ bank accounts) is amended as follows.
- (2) In subsection (2)–
- (a) omit “is not domiciled and not resident in the United Kingdom”;
- (b) at the end insert “is neither resident in the United Kingdom nor a long-term UK resident”.
- (3) In subsection (3), for the words from “if the settlor” to the end, substitute “if –
- (a) the trustees are resident in the United Kingdom immediately before the beneficiary’s death,
- (b) the settlor is alive and is a long-term UK resident immediately before the beneficiary’s death,
- (c) the settlor died on or after 6 April 2025 and was not a long-term UK resident immediately before they died, or
- (d) the settlor died before 6 April 2025 and was not domiciled in the United Kingdom when the property became comprised in the settlement.”
- 22 In section 218 (non-resident trustees), in subsection (1)(a), for “domiciled in the United Kingdom” substitute “a long-term UK resident”.
- 23 Omit section 267 (persons treated as domiciled in United Kingdom).
- 24 (1) Section 267ZA (election to be treated as domiciled in the United Kingdom) (as it has effect before its repeal by paragraph 26) is amended as follows.
- (2) In subsections (3) and (4), for “on or after 6 April 2013 and” substitute “before 6 April 2025 but”.
- (3) Omit subsection (5).
- (4) In subsection (8)–
- (a) for “is or was domiciled” substitute “was domiciled”;
- (b) after “section 267” insert “(deemed domicile)”.

- 25 In section 267ZB (section 267ZA: further provision about election) (as it has effect before its repeal by paragraph 26), in subsection (4)(a), for “6 April 2013 or a later date” substitute “5 April 2025 or an earlier date”.
- 26 Omit sections 267ZA and 267ZB (election to be treated as domiciled in the United Kingdom).
- 27 Before section 267A insert –

**“267ZC Election to be treated as a long-term UK resident**

- (1) A person (“P”) who would not otherwise be a long-term UK resident is treated as one for the purposes of this Act at any time when an election under this section has effect.
- (2) An election under this section may be made –
  - (a) if condition A or B is met, by P;
  - (b) if condition B is met, by P’s personal representatives.
- (3) Condition A is that, at any time within the period of 7 years ending with the date on which the election is made, P had a spouse or civil partner who was a long-term UK resident.
- (4) Condition B is that a person (“the deceased”) dies and, at any time within the period of 7 years ending with the date of death, the deceased was –
  - (a) a long-term UK resident, and
  - (b) the spouse or civil partner of P.

**267ZD Further provision about elections under section 267ZC**

- (1) An election under section 267ZC –
  - (a) must be made by notice in writing to HMRC, and
  - (b) has effect from such date as is, in accordance with subsection (2), specified in the notice.
- (2) The date specified in a notice under subsection (1)(a) (“the specified date”) must –
  - (a) be after 5 April 2025,
  - (b) be within the period of 7 years ending with –
    - (i) in the case of a lifetime election, the date on which the election is made;
    - (ii) in the case of a death election, the date of the deceased’s death, and
  - (c) meet the condition in subsection (3).
- (3) The condition is that –
  - (a) in the case of a lifetime election –

- (i) the person making the election was, on the specified date, married to or in a civil partnership with the spouse or civil partner, and
    - (ii) the spouse or civil partner was, on the specified date, a long-term UK resident;
  - (b) in the case of a death election—
    - (i) the person who is, by virtue of the election, to be treated as a long-term UK resident was, on the specified date, married to or in a civil partnership with the deceased, and
    - (ii) the deceased was, on the specified date, a long-term UK resident.
- (4) A death election may only be made within—
  - (a) the period of 2 years beginning with the date of the deceased's death, or
  - (b) such longer period as an officer of Revenue and Customs may in the particular case allow.
- (5) Subsection (6) applies if—
  - (a) an election is made under section 267ZC,
  - (b) a disposition is made, or another event occurs, during the period beginning with the date on which the election first has effect and ending with the date on which the election is made, and
  - (c) the effect of the election is that the disposition or event gives rise to a transfer of value.
- (6) This Act applies with the following modifications in relation to the transfer of value—
  - (a) subsections (1) and (6)(c) of section 216 (delivery of accounts) have effect as if the period specified in subsection (6)(c) of that section were the period of 12 months from the end of the month in which the election is made, and
  - (b) sections 226 (payment: general rules) and 233 (interest on unpaid tax) have effect as if the transfer were made at the time when the election is made.
- (7) An election under section 267ZC cannot be revoked.
- (8) If a person who made a lifetime election is not resident in the United Kingdom for a period of 10 successive tax years beginning after the date on which the election is made, the election ceases to have effect at the end of that period.
- (9) For the purposes of this section—
  - “death election” means an election made under section 267ZC in circumstances where Condition B in subsection (4) of that section is met;

“lifetime election” means any other election made under section 267ZC.

### **267ZE Subject of domicile election treated as a long-term UK resident**

- (1) This section applies where an election under section 267ZA has effect in relation to a person immediately before 6 April 2025 (whether the election was made before or after that date).
- (2) The person is treated for the purposes of this Act (so far as would not otherwise be the case) –
  - (a) as being a long-term UK resident, and
  - (b) as having been one at all times on and after 6 April 2025.
- (3) But if the person is not resident in the United Kingdom for a relevant lapse period beginning at any time after the election is made, subsection (2) ceases to apply to them at the end of that period.
- (4) In subsection (3) “relevant lapse period” means –
  - (a) if the election was made before 30 October 2024, a period of 4 successive tax years;
  - (b) if the election was made on or after that date, a period of 10 successive tax years.”

28 (1) Section 272 (general interpretation) is amended as follows.

- (2) The existing text becomes subsection (1).
- (3) In subsection (1), in the definition of “foreign-owned” –
  - (a) in paragraph (a), for “domiciled outside the United Kingdom” substitute “not a long-term UK resident”;
  - (b) for paragraph (b) substitute –
    - “(b) if the property is comprised in a settlement, in the case of which the settlor –
      - (i) is alive and is at that time not a long-term UK resident,
      - (ii) died on or after 6 April 2025 and was not a long-term UK resident immediately before they died, or
      - (iii) died before 6 April 2025 and was domiciled outside the United Kingdom when the property became comprised in the settlement, and section 48ZA(9) applies for the purposes of this paragraph as it applies for the purposes of section 48ZA(4).”

- (4) Also in subsection (1), at the appropriate places insert –
- ““long-term UK resident” has the meaning given by sections 6A to 6C”;
  - ““tax year” means a year beginning with 6 April and ending with the following 5 April;”;
  - ““the tax year 2025-26” means the tax year beginning with 6 April 2025 (and any corresponding expression in which two years are similarly mentioned is to be read in the same way);”.

- (5) After subsection (1) insert –
- “(2) A reference in this Act to a settlor’s being alive or dying is to be read, in relation to a settlor who is a body corporate, as a reference (respectively) to the body’s being in existence or ceasing to exist.”

29 In Schedule 4 (maintenance funds for historic buildings etc), in paragraph 10(8), for “domiciled in the United Kingdom” substitute “a long-term UK resident”.

#### FA 1986

30 (1) Section 102 of FA 1986 (gifts with reservation) is amended as follows.

(2) In subsection (1), for “(5) and (6)” substitute “(5), (6) and (7A)”.

(3) After subsection (7) insert –

- “(7A) This section does not apply if –
- (a) the disposal of property by way of gift took place before 30 October 2024,
  - (b) the property became settled property by virtue of the gift,
  - (c) immediately before 30 October 2024, the property was excluded property for the purposes of the 1984 Act by virtue of section 48(3) or (3A) (as it had effect at that time), and
  - (d) at all times on and after 30 October 2024 and before the relevant time, the property –
    - (i) was situated outside the United Kingdom and was not property to which paragraph 2 or 3 of Schedule A1 to the 1984 Act applied (overseas property with value attributable to UK residential property), or
    - (ii) was a holding in an authorised unit trust or a share in an open-ended investment company (within the meaning, in either case, of the 1984 Act).

(7B) In subsection (7A), “the relevant time” means –

- (a) if the property ceases to meet the condition in subsection (2) at any time before the donor’s death, that time;
- (b) otherwise, the time of the donor’s death.”

*FA 2004*

- 31 Schedule 15 to FA 2004 (pre-owned assets charge) is amended as follows.
- 32 In paragraph 11 (exemptions from charge), in sub-paragraph (5), after paragraph (b) insert –
- “(ba) would fall to be so treated but for section 102(7A) of the 1986 Act (cases where property was excluded property under the old inheritance tax regime),”.
- 33 In the italic heading before paragraph 12, for “resident or domiciled outside the United Kingdom” substitute “non-UK resident or not a long-term UK resident”.
- 34 (1) Paragraph 12 is amended as follows.
- (2) In sub-paragraph (2), for “domiciled outside the United Kingdom” substitute “not a long-term UK resident”.
- (3) Omit sub-paragraph (3).
- (4) For sub-paragraph (4) substitute –
- “(4) In this paragraph, “long-term UK resident” has the same meaning as in IHTA 1984.”

*Constitutional Reform and Governance Act 2010*

- 35 In section 41 of the Constitutional Reform and Governance Act 2010 (tax status of MPs and members of the House of Lords), for subsections (2) and (3) substitute –
- “(2) The person is to be treated –
- (a) as resident in the United Kingdom for the whole of that tax year for the purposes of income tax, capital gains tax and inheritance tax, and
- (b) as a long-term UK resident at all times in that tax year for the purposes of inheritance tax.”

*Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2004 (S.I. 2004/2543)*

- 36 The Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2004 are amended in accordance with paragraphs 37 to 42.
- 37 In regulation 2 (interpretation) –
- (a) the existing text becomes paragraph (1);
- (b) after that paragraph insert –
- “(2) A reference in these Regulations to a person’s being domiciled in the United Kingdom includes a reference to the person’s being treated as so domiciled for the purposes of the 1984 Act.”
- 38 (1) Regulation 4 (excepted estates) is amended as follows.

- (2) In paragraphs (2)(a) and (3)(a), for “, domiciled in the United Kingdom” substitute “and was a long-term UK resident immediately before their death”.
- (3) For paragraph (5)(b) substitute—
- “(b) that person—
- (i) was not a long-term UK resident at any time on or after 6 April 2025, and
- (ii) was not domiciled in the United Kingdom at any time before that date;”
- 39 In regulation 5 (spouse, civil partner and charity transfers), in paragraph (2), for the words from “was not domiciled” to the end substitute “—
- (a) was, at any time in the period beginning with 6 April 2025 and ending with the time of the transfer, not a long-term UK resident,
- (b) was, at any time before 6 April 2025, not domiciled in the United Kingdom.”
- 40 In regulation 5A (IHT threshold), in paragraph (4)(a), for “died domiciled in the United Kingdom” substitute “was a long-term UK resident immediately before their death”.
- 41 In regulation 6 (production of information), in the heading, for “domiciled in the United Kingdom” substitute “a long-term UK resident”.
- 42 (1) Regulation 6A (production of information) is amended as follows.
- (2) In the heading, for “deceased domiciled outside the United Kingdom” substitute “cases within regulation 4(5)”.
- (3) In paragraph (2)(g), for “domicile” substitute “place of tax residence”.

*Inheritance Tax (Delivery of Accounts) (Excepted Settlements) Regulations 2008 (S.I. 2008/606)*

- 43 (1) In the Inheritance Tax (Delivery of Accounts) (Excepted Settlements) Regulations 2008, regulation 4 (excepted settlement) is amended as follows.
- (2) In paragraph (3)(a), for “is domiciled in the United Kingdom” substitute “meets the condition in paragraph (3A)”.
- (3) After paragraph (3) insert—
- “(3A) The condition in this paragraph is—
- (a) in relation to times on or after 6 April 2025, that the settlor is a long-term UK resident;
- (b) in relation to times before that date, that the settlor is domiciled in the United Kingdom (or treated as such for the purposes of the 1984 Act).”

**PART 2**

## COMMENCEMENT AND TRANSITIONAL PROVISION

*Commencement*

- 44 (1) Part 1 of this Schedule, other than paragraph 26, comes into force on 6 April 2025.
- (2) Paragraph 26 (repeal of sections 267ZA and 267ZB) comes into force on 6 April 2032.
- (3) The amendments made by paragraph 12 to section 74A of IHTA 1984 (arrangements involving acquisition of interest in settled property etc) have effect where the relevant time (as defined in section 74C(5) of that Act) is on or after 6 April 2025 (even if the arrangements were entered into before that date).
- (4) The amendment made by paragraph 19 to section 136 of IHTA 1984 (transactions of close companies) has effect in relation to relevant transactions (within the meaning of that section) on or after 6 April 2025.
- (5) The amendments made by paragraphs 36 to 42 (amendments to the Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2004 (S.I. 2004/2543)) have effect in relation to deaths occurring on or after 6 April 2025.
- (6) The amendments made by paragraph 43 (amendments to the Inheritance Tax (Delivery of Accounts) (Excepted Settlements) Regulations 2008 (S.I. 2008/606)) have effect in relation to chargeable events (within the meaning of regulation 2 of those Regulations) occurring on or after 6 April 2025.

*Certain pre-commencement emigrants treated as not being long-term UK residents*

- 45 (1) An individual who would otherwise be a long-term UK resident at any time in a given tax year (“the relevant tax year”) is treated for the purposes of IHTA 1984 as not being a long-term UK resident at that time if the individual –
- (a) was not domiciled in the United Kingdom on 30 October 2024,
- (b) has not been resident in the United Kingdom for any tax year in the period beginning with the tax year 2025-26 and ending with the relevant tax year, and
- (c) either –
- (i) was not resident in the United Kingdom for any of the 3 tax years immediately preceding the relevant tax year, or
- (ii) was not resident in the United Kingdom for more than 14 of the 20 tax years immediately preceding the relevant tax year.
- (2) For the purposes of sub-paragraph (1)(a), in determining where an individual was domiciled on 30 October 2024, ignore section 267 (deemed domicile) and sections 267ZA and 267ZB (domicile elections) of IHTA 1984.

*Property moving between settlements*

- 46 The amendment of section 81(1) of IHTA 1984 by paragraph 15(b) of this Schedule (trusts on which property moving between settlements is held) is to be disregarded in construing section 81(1) in a case where the property in question ceased to be comprised in the first settlement before 6 April 2025.

*Settlor’s death etc: application to bodies corporate*

- 47 The insertion of section 272(2) of IHTA 1984 by paragraph 28(5) of this Schedule (meaning of references to dying or being alive in the case of corporate settlors) is to be disregarded in construing section 201(1)(d) of IHTA 1984 in relation to property that became comprised in the settlement before 6 April 2025.

*Deemed domicile: savings*

- 48 (1) The repeal of section 267 of IHTA 1984 (persons treated as domiciled in United Kingdom) by paragraph 23 is to be disregarded –
- (a) in determining for the purposes of that Act any question as to where a person was domiciled at any time before 6 April 2025, and
  - (b) in determining any question as to where a person is treated as domiciled for the purposes of that Act at any time on or after that date, so far as that question is relevant to the application of any double taxation arrangements.
- (2) In sub-paragraph (1)(b), “double taxation arrangements” means arrangements having effect under section 158 of IHTA 1984.