

An introduction to _____



Remittance _____

basis

Understanding
how the remittance
basis worked before
April 2025

Introduction



Every year, many individuals and families move into or out of the UK, often bringing with them complex international financial affairs. Understanding how the UK taxes foreign income and gains is key to ensuring their affairs remain efficient, compliant and well-structured.

This guide provides a clear overview of the remittance basis as it applied **before April 2025** – explaining who could use it, how it worked, and the key considerations involved. Given the complexity of the rules and the significant changes now in place, good planning and expert advice are essential.

What is the remittance basis?

The UK normally taxes residents on worldwide income and gains.

If you were a UK resident but not UK domiciled, the remittance basis was available to you. Instead of paying UK tax immediately, your foreign income and gains were only subject to UK tax if and when you brought them to the UK (or used or enjoyed them here).

If funds remained offshore, any UK tax on those amounts could be deferred indefinitely.

Who can use it?

To claim the remittance basis, you had to be resident in the UK and either:

- **not domiciled** (or not deemed domiciled) in the UK, or
- **not ordinarily resident in the UK** (for foreign income only)

You had to elect the remittance basis each tax year, and the decision could have long-term implications. For example, if you later brought previously untaxed income or gains into the UK, you would pay UK tax at that point — even if you were no longer claiming the remittance basis.

Robust record-keeping remains essential. Keeping offshore income, gains and clean capital separate helped preserve your ability to remit funds without unexpected tax consequences.

What are the rules for using it?

During your first six years of UK residence, you could usually claim the remittance basis without paying a charge.

Once you had been resident for **seven of the previous nine tax years**, claiming the remittance basis would trigger the Remittance Basis Charge (RBC). At that point, you would need to assess whether the benefit of deferring UK tax outweighed the cost.

In every case, careful analysis was needed to determine whether claiming the remittance basis was worthwhile for you.

The remittance basis charge (RBC)

If you had been resident:

- **7 of the previous 9 years** → £30,000 annual charge
- **12 of the previous 14 years** → £60,000 annual charge

(The former £90,000 charge was removed when deemed domicile rules changed in 2017/18.)

You had to pay the RBC in addition to any UK tax arising if you remitted income or gains.

As a result, the remittance basis was usually only beneficial if you had significant offshore income or gains that you did not expect to bring to the UK. With good planning, you could settle the charge using offshore funds, preserving your onshore liquidity and clean capital.



Consequences of making a claim

If you claimed the remittance basis, you would lose:

- your **personal allowance** (income tax)
- your **annual exempt amount** (capital gains tax)

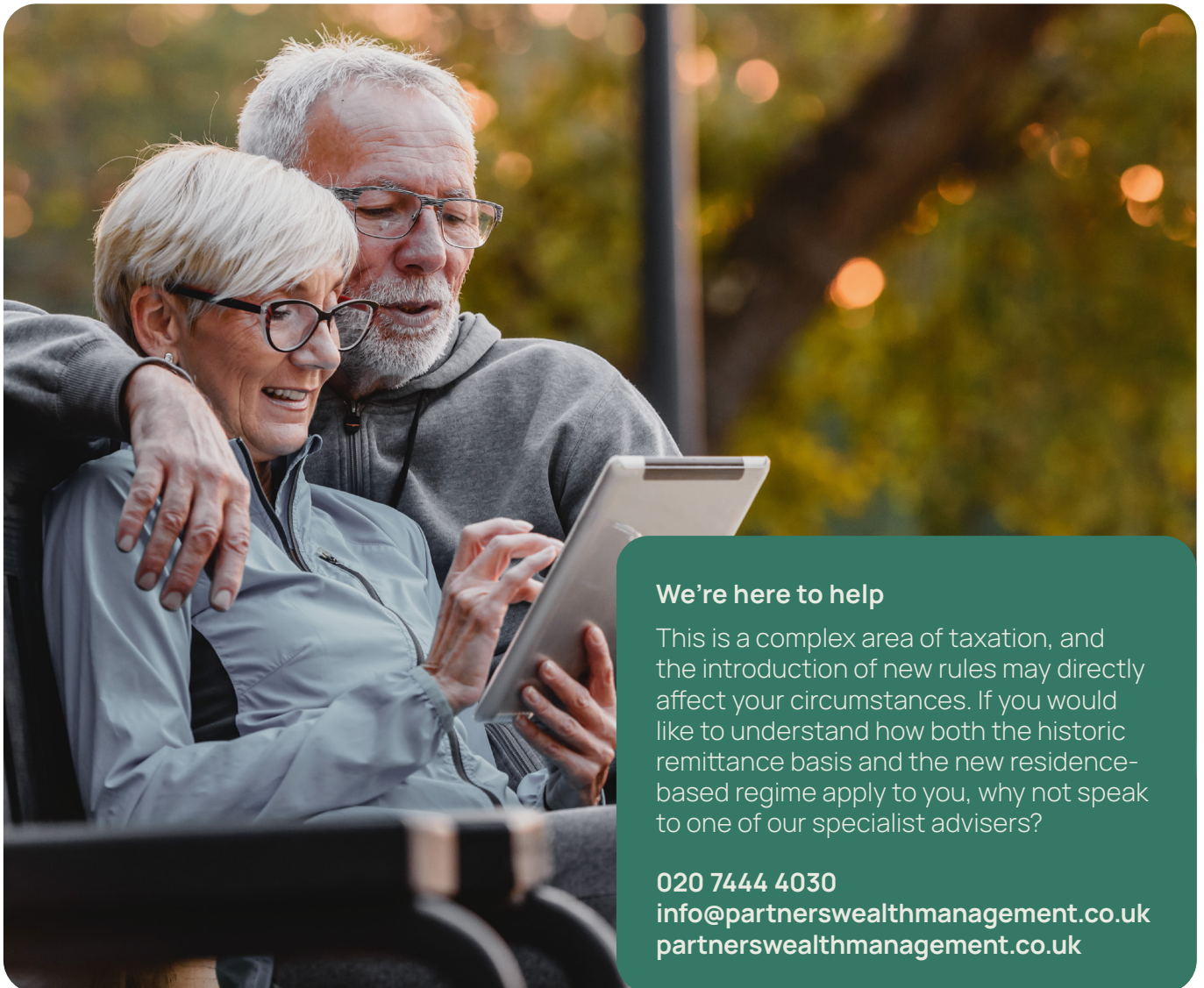
The one exception was where your unremitted foreign income and gains totalled **less than £2,000** in the tax year.

Because of the loss of allowances, the cost of the RBC (if applicable), and the complexity of future remittances, it was important to consider all factors before deciding whether the remittance basis was right for you.

New rules from April 2025

In the Spring Budget 2024, the government confirmed that the remittance basis regime will be abolished from 6 April 2025 and replaced with a simpler, residence-based system. Under this new regime, new arrivals will only be taxable on UK income and gains for their first four years – provided they have been non-resident for the preceding ten years.

Transitional provisions will allow you to remit foreign income and gains at a flat 12% rate for two years from 6 April 2025. Further changes may follow, making up-to-date expert advice essential.



We're here to help

This is a complex area of taxation, and the introduction of new rules may directly affect your circumstances. If you would like to understand how both the historic remittance basis and the new residence-based regime apply to you, why not speak to one of our specialist advisers?

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