

An introduction to the _____



Foreign income — _____ and gains (FIG) regime

A clearer, more structured approach

Introduction



The UK has traditionally relied on the complex concept of domicile to determine how Resident Non-Domiciled individuals are taxed. From 6 April 2025, the new Foreign Income and Gains (FIG) regime will replace this system entirely. It removes long-standing ideas such as the remittance basis and mixed funds, and brings in a clearer, more streamlined approach.

This guide explains the new regime and what it means for both existing UK residents and those planning to move to the UK.

What is the FIG regime?

The FIG regime offers eligible individuals a temporary exemption from UK tax on their foreign income and gains. It places greater emphasis on the Statutory Residence Test, reducing the importance of domicile in determining tax treatment. The regime also introduces rules around long-term residence, which can affect how UK Inheritance Tax (IHT) applies to global assets.

Who qualifies for the FIG regime?

You may qualify for the FIG regime if you are becoming UK-resident and have not been resident here for more than four of the previous ten tax years. This includes UK nationals returning after time overseas.

What counts as foreign income and gains?

Foreign income and gains are earnings or growth arising outside the UK. These may include income from overseas property, dividends from foreign companies, earnings from overseas work, or investment gains from offshore portfolios. Offshore bonds are still likely to be treated as onshore income and gains when you withdraw from them.

When is it applicable?

The FIG regime typically applies for up to four years from the tax year in which you arrive in the UK. If you've already lived in the UK for part of that period, you may use any remaining years. Temporary absences do not extend the timeframe. If you no longer qualify, you may still benefit from options such as rebasing or the Temporary Repatriation Facility (TRF).

Overseas Workday Relief (OWR)

Alongside the FIG regime, some elements of the previous system continue to apply, such as Overseas Workday Relief (OWR). In essence, if an individual resides in the UK, but works abroad for some of that time, earnings for duties performed overseas may receive UK tax relief.

The biggest evolution under the new regime is that the portion of earnings relating to working abroad no longer needs to be paid and retained offshore. This will greatly simplify reporting for taxpayers and administration for HMRC. Specifically, this also removes the requirement to have an offshore bank account for salary payments and tax repayments.





Long-term residents

Under the new rules, individuals who have been UK-resident for at least 10 of the last 20 tax years will have UK Inheritance Tax (IHT) applied to their worldwide assets, not just their UK assets. This creates what is often called an “IHT tail” – a period after leaving the UK during which you may still fall within the UK IHT net.

The length of this tail depends on how long you lived in the UK. It works on a sliding scale:

- It can start at around three years if you were resident for 10-13 years, and
- Extend to 10 years if you were resident for 20 years.

Put simply, the longer you live in the UK, the longer the IHT tail that follows you when you leave. During this period, UK IHT can continue to apply to your global estate, regardless of your nationality or current country of residence.

For internationally mobile individuals and families, the Statutory Residence Test can be used to plan entry and exit dates carefully. In some cases, moving to a country that has an IHT treaty with the UK may also help reduce exposure – although currently only around ten countries have such agreements.

Trust and offshore structures

The impact on trusts like Excluded Property Trusts (EPTs) is significant. Offshore assets can no longer be protected simply by settling them into trust before becoming UK-domiciled. Assets are now assessed based on where the person who set up the trust (the settlor) is resident, and they may face 10-year charges and exit charges. Some benefits remain, but the rules have changed significantly, so reviewing existing structures is essential.

Transitional rules

Transitional rules have been introduced to help individuals adapt to the new FIG regime. These help to prevent assets being permanently “trapped” offshore and to give taxpayers a practical way to transition between systems.

Rebasing

Rebasing may be available if you've been in the UK for more than four years and don't qualify for the FIG regime. This allows certain assets held before 6 April 2017 to be reset to their 2017 value. In other words, it updates the asset's “starting value” for tax purposes, so you're only taxed on the growth since 2017 rather than since you originally acquired it. This can reduce the taxable gain when you eventually sell the asset.



Temporary Repatriation Facility (TRF)

The TRF is aimed at individuals who previously used the remittance basis and still hold offshore income or gains that haven't been taxed in the UK. Normally, bringing these funds into the UK would trigger a tax charge, but the TRF lets you designate historic income and gains so they can be remitted later without further UK tax.

Designation is straightforward: you don't need to separate income, gains or capital, and you don't need to sell or move the assets immediately. The election is made through your Self Assessment return, with a charge of 12% in 2025/26 and 2026/27, rising to 15% in 2027/28, after which the facility closes unless extended.

Once designated, funds can be brought into the UK more tax-efficiently. Future income or gains arising after designation will still be taxed as normal, so the value of the TRF will depend on your wider financial plans and how much you hold offshore.

We're here to help

Our specialist advisers are on hand to explain the new rules and how they affect you, with access to trusted tax, legal and other professional services through our Private Office.

If you'd like to discuss your position, please give us a call.

020 7444 4030

info@partnerswealthmanagement.co.uk
partnerswealthmanagement.co.uk



PWM Partners
Wealth
Management

020 7444 4030

info@partnerswealthmanagement.co.uk

partnerswealthmanagement.co.uk

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