

Some Personal Tax changes applicable from 6 April 2025**1) Changes to the Taxation of qualifying New Residents – now taxable under the FIG Regime**

From 6 April 2025, the UK's Foreign Income and Gains (FIG) regime has replaced the remittance basis for taxing foreign income and gains. From this date, all the UK residence are taxed on an arising basis of assessment on their worldwide income and gains.

Under the new FIG regime, individuals who become UK tax resident after a period of at least 10 consecutive tax years of non-residence "qualifying new residents" will not pay UK tax on their foreign income and gains arising in a tax year regardless of whether or not these funds are brought to the UK (subject to making a claim) for a period of four tax years commencing when the individual first becomes UK tax resident.

Individuals who, on 6 April 2025, has been UK tax resident for less than four years (following 10 consecutive years on non-residence) are able to utilise the FIG regime for any tax year of UK tax residence which falls within the remainder of the four-year period commencing when they became UK tax resident.

Those opting into the four-year FIG regime will lose their entitlement to personal allowances and annual exempt amounts for CGT.

After the initial four years, individuals will be taxed on their worldwide income and gains in accordance with the normal tax rules for UK residents.

There are transitional provisions for current non-doms. Please contact us if you require further information.

2) Impact on non-resident Trusts

From 6 April 2025, the protection from taxation on income and gains within settlor-interested trust structures has been removed for those who do not qualify for the four-year FIG regime. Instead, FIG arising in such settlements is taxed on the UK resident settlor/transferor on an arising basis. FIG arising pre-6 April 2025 will continue to be matched on a worldwide distribution basis.

3) New Reporting requirements for directors in close companies

From 6 April 2025, directors in close companies (controlled by five or fewer participators or any number of participators who are directors) are required to report more detailed information relating to their shareholdings and any dividend income they receive from those companies.

Please complete the enclosed Appendix 4 "Close Company Directors, Additional Information" .

4) Changes to Furnished Holiday Lettings

Legislation included in Finance Bill 2024-25 abolishes the special tax rules for furnished holiday lettings with effect from 6 April 2025 for individuals.

Any losses incurred by the FHL in the current year or carried forward from previous years will be treated as losses of the ongoing UK or overseas property business going forward. This means the losses can be set off against other property income for individuals.

- A loss carried forward from a UK FHL can be set off against the UK property business income in 2025-26 and later tax years.
- A loss carried forward from an overseas FHL can be set off against the overseas property business income in 2025-26 and later tax years.
- Relevant earnings – this will not be counted towards your relevant earnings for pension purposes.

5) Impact of abolishing FHL regime

- Business Asset Disposal Relief (BADR) – this is no longer available resulting in CGT payable at a higher tax rate from 6 April 2025.
- Gift hold-over relief – this is no longer be available from 6 April 2025.
- Capital allowances – These are no longer available on fixtures, furniture or furnishings. Replacement of Domestic Items Relief will then be available on replacement items. Where qualifying capital expenditure has been included in a capital allowances pool by 5 April 2025, Writing Down Allowances, balancing allowances and charges can continue to be claimed after April 2025 on that pooled expenditure until it is used up or a small pool claim is made.

Please contact us if this impacts you and want to discuss further tax implications on your business.

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6) Dividends

The basic rate of tax increases from 8.75% to 10.75% and the higher rate increases from 33.75% to 35.75%. However, the additional rate remains at 39.35%.

7) Business Asset Disposal Relief (BADR)

The tax cost of exiting a Business continues to rise. Following the 2025 increase to 14%, the Capital Gains Tax (CGT) rate for qualifying disposals under BADR has risen to 18% as from 6 April 2026.

The £1 million lifetime limit remains in place.

8) Business Incorporation

From April 2026, those businesses that choose to convert to Corporate Structure will no longer automatically qualify for Incorporation Relief, if conditions are met. The Relief is required to be claimed by the taxpayer on their self-assessment return.

9) Working from home

From 6 April 2026, the Income Tax Relief available to individuals who work from home and are not reimbursed by their employer for additional household expenses, is being withdrawn.

Up to 5 April 2026, relief was available on a standard flat-rate claim of £6 a week, resulting in an annual tax saving of approximately £62 for basic rate and £124 for higher rates taxpayers.

10) Expansion of employment benefits relief

On 6 April 2026, a number of new legislative exemptions will take effect, exempting a number of minor benefits-in-kind from income tax and national insurance:

- a new exemption for the reimbursement of expenses incurred by an employee on behalf of the employer in respect of accommodation, supplies and services used in performing employment duties.
- an extension to the existing exemption for eye tests and special corrective appliances to cover reimbursements.
- a new exemption for both the direct provision and reimbursement of influenza vaccinations.

11) Increase in P11d benefit in kind rate for electric cars

The Benefit in Kind rate for Electric company vehicles increases from 3% to 4% on the list price of the vehicle.

However, electric Company Cars will continue to be considerably more tax-efficient as compared to the petrol or diesel cars, which are levied at the unchanged benefit in kind rates of up to 37%.

12) Changes to relief for Investors

The Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCTs) and Seed Enterprise Investment Relief (SEIS) schemes give Investors Income Tax and Capital Gains Tax breaks for taxpayers investing in such qualifying Companies.

Although from April 2026, the various relevant thresholds are increasing for Companies eligible to raise funds through these means, enabling more Companies to qualify, but for the Investor the VCT Income Tax Relief is dropping from 30% to 20%. The SEIS relief of 50% and the EIS relief at 30% have not changed.

13) Changes to UK Pension Transfers to Qualifying recognised overseas pension scheme (QROPS)

The Overseas Transfer Charge (OTC) is a 25% tax on transfers to QROPS. Before 30 October 2024, transfers to QROPS in the EEA and Gibraltar were generally exempt from this charge. However, this exemption has now been removed.

From 6 April 2025, the condition for Overseas Pension Scheme (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA has been brought in line with OPS and ROPS established in the rest of the world.

From 6 April 2026, scheme administrators of registered pension schemes must be UK resident.