



Australian Residents with UK Assets: Urgent UK Tax Changes

25 September 2025

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Big UK Tax Changes

Key Topics for Discussion

- Foreign Income & Gains Rules
- Temporary Repatriation Facility
- UK Pension Law Changes
- IHT Changes:
 - New long-term resident rules;
 - Planning for Australian tax residents; and
 - APR & BPR reduction.
- Impact on Australian Trusts with UK connections.



Big UK Tax Changes

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01 Abolition of Non-Dom Rules

Abolition of Non-Domiciled Rules

For UK Tax Purposes



The abolition of the concept of domicile for UK tax purposes was proposed by the previous Conservative UK Government, however implemented by the current Labour Government.



This has been replaced with a new long-term resident test.



The concept of domicile still remains in UK general law, but no longer exists for most UK tax purposes from 6 April 2025.



Domicile status at 5 April 2025, is still relevant for various transitional tax rules.

Abolition of Non-Domiciled Rules

Benefits for Long-Term Australian Residents

- Australian residents who have not been UK tax resident for 10 or more UK tax years, will now have certainty that they will not be subject to UK IHT on their non-UK assets, assuming that they remain Australian tax residents.
- The new long-term resident test means that some UK expats will be able to return to reside in the UK and will not be caught to UK IHT on their worldwide assets, as long as they do not become long-term residents of the UK.
- Some UK expats may be able to access the Foreign Income & Gains rules on return to the UK.

02 Foreign Income & Gains Rules

Foreign Income & Gains Rules

Benefits for Long-Term Australian Residents

- Australian residents who move to the UK and have not been UK tax resident for 10 or more UK tax years, may benefit from Foreign Income & Gains rules (FIG).
- The FIG rules mean that for qualifying individuals from 6 April 2025, they will be able to claim exemption from UK taxation on their foreign income and gains for the first 4 years of UK tax residency.
- The Foreign Income or Gains must be on the qualifying list of types of income/gains that qualify.
- A claim must be made in the relevant UK self-assessment tax return within the time limits.

FIG Rules

Types of Qualifying Foreign Income

Overseas property income.

Overseas interest.

Overseas dividends from non-UK resident companies.

Trade profits from wholly outside the UK.

Partnership profits from wholly outside the UK.

Overseas royalties.



Australian superannuation income.

Certain income from overseas trusts.

Offshore income gains.

Foreign pension income.

Foreign social security benefits.

Accrued foreign income.

FIG Rules

Types of Qualifying Foreign Gains

Overseas property/real estate.

Overseas investments – unless they directly/indirectly contain interests in UK property.

Foreign currency bank accounts.

Shares in private foreign (non-UK private companies) – unless they directly/indirectly contain interests in UK property.

Gains within non-UK trusts are attributed to UK taxpayers e.g. capital gains in trusts where the settlor retains an interest or gains are distributed to beneficiaries.



03 Temporary Repatriation Facility

Temporary Repatriation Facility (TRF)

Benefits for Australians Living in the UK

- Australian residents who live in the UK and previously claimed the UK's remittance basis of taxation may be able to claim the TRF to achieve a better tax outcome.
- Generally TRF claims are of benefit to people who intend to remain UK tax resident for the long-term.
- The TRF allows an individual to remit or nominate income and/or gains that were previously subject to UK remittance basis claims.
- A claim must be made in the relevant UK self-assessment tax return within the time limits.
- The UK tax rate under the TRF is 12% in 2025/26 and 2026/27. The TRF tax rate rises to 15% in 2027/28.

04 UK Pension Tax Law Changes

UK Pension Tax Law Changes

Affects all people with UK pension schemes

- Rumours are spreading in the UK that the UK Government may look to remove the 25% UK tax free lump sum for lump sum withdrawals from UK pension schemes at the next budget which will be on 26 Nov 2025.
- One solution is to ensure that you withdraw your 25% UK tax free lump sum prior to 26 Nov 2025. This assumes that the new legislation will not be retrospective.
- Note there are Australian tax implications on making a lump sum withdrawal from a UK pension scheme if you are an Australian tax resident (and do not qualify as a temporary resident for Australian tax purposes).
- Lump sum withdrawals from most UK pension schemes are taxed as foreign superannuation withdrawals under Australian tax law.
- We would be happy to advise you on the Australian tax implications of withdrawing your 25% UK tax free lump sum, in advance of 26 Nov 2025.

UK Pension Tax Changes

Impact for UK tax residents with Australian superannuation

- If the UK Government removes the 25% UK tax free lump sum for lump sum withdrawals from UK pension schemes at the next budget concerns exist as to whether this would increase the UK tax charges on lump sum withdrawals from Australian superannuation funds where they are UK tax resident.



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05 UK IHT Changes

UK IHT Changes

Domicile Rules Gone – Replaced with Long-Term Residence Rule

- From 6 April 2025 the concept of domicile for most tax purposes including UK IHT was abolished;
- This means for Australian residents (that are not long-term residents of the UK) who hold UK assets over £325,000, will be liable to UK IHT on death at 40%;
- Some people will be able to utilise the spousal exemption to avoid this UK IHT;
- Another solution is to sell your UK assets and move the funds to Australia, before passing away. Note that you would need to ensure that you are not a long-term resident of the UK at your death. But watch for the UK and Australian CGT on selling assets!

UK IHT Changes

Domicile Rules Gone – Opportunities for UK Expats in Australia

- In practice the abolition of the concept of domicile represents an opportunity for UK expats who have been non-UK tax residents for 10 UK tax years or more, to easily exit the UK IHT net!
- This is better than the previously UK domicile rules which made it difficult for persons born with a UK domicile of origin to leave the UK IHT net.
- The new long-term resident rules provide a clear path for anyone who wants to permanently migrate from the UK to Australia to exit the UK IHT net permanently.
- To be effective, UK expats will need to reduce their UK assets below £325,000 per person in most cases.
- Please obtain tax advice before disposing of UK assets and moving the funds to Australia!

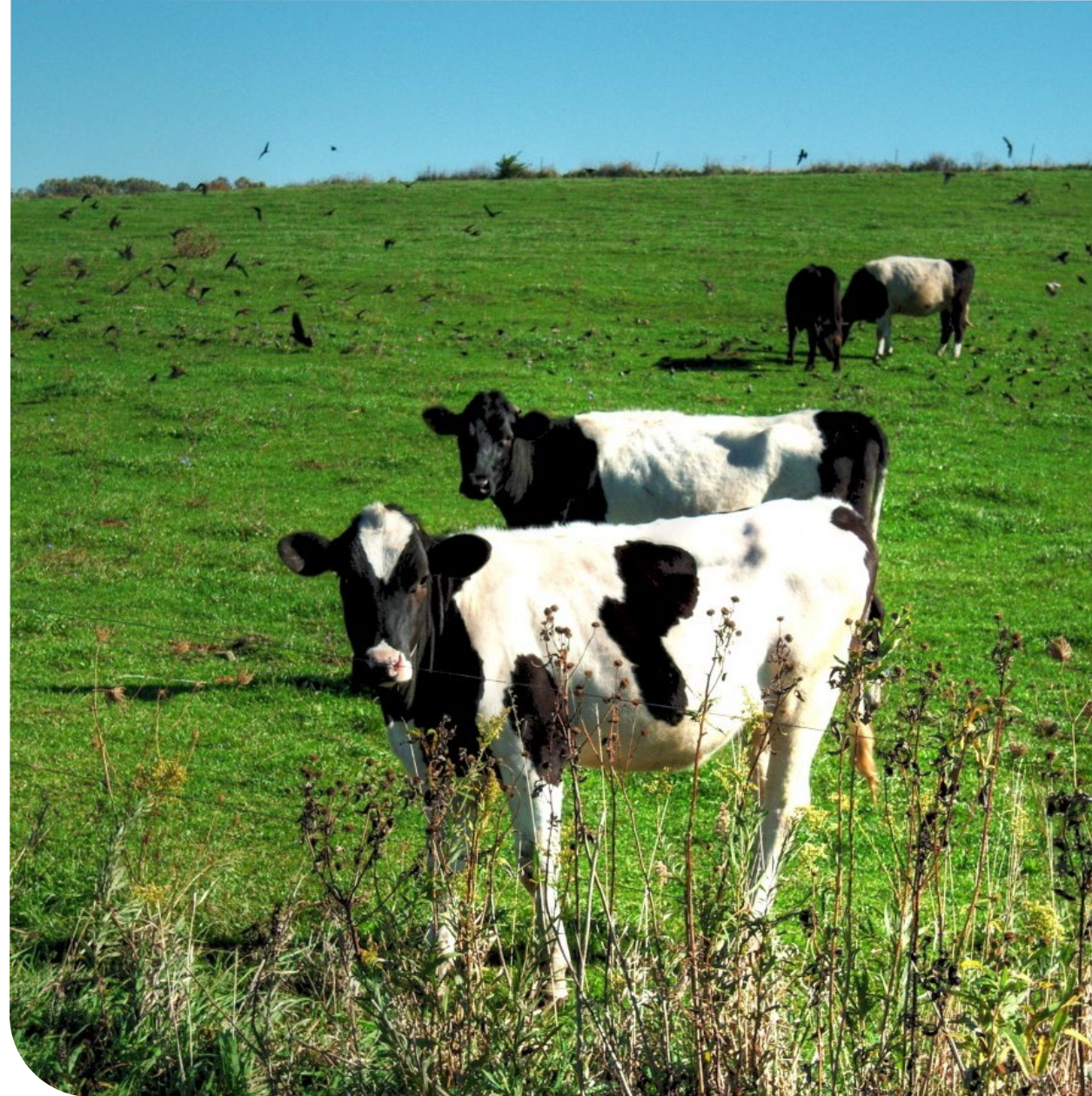
UK IHT Changes

Big Reduction in Agricultural Property Relief (APR)

Agricultural and Business Property Relief has been massively reduced from 6 April 2026!

APR is now only available at 100% on the first £1m of farming and business assets combined

- APR/BPR assets over £1 million only benefit from 50% relief!
- This is a disaster for commercial farms.



UK IHT Changes

Big Reduction in Business Property Relief (BPR)

BPR has also been massively reduced from 6 April 2026 – which could cost you millions!

BPR is now only available at 100% on the first £1m of business assets - BPR assets over £1 million only benefit from 50% relief!

- This is a disaster for anyone who owns shares in UK trading companies – the change was unexpected and creates a tax planning nightmare!
- If you are affected contact us, so we can advise you.



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UK IHT Changes

Pensions

- From 6 April 2027 the UK IHT exemption for UK pension schemes will be abolished;
- This means for Australian residents (that are not long-term residents of the UK) who hold UK assets over £325,000 including their pension scheme, will be liable to UK IHT on death;
- Some people will be able to utilise the spousal exemption to avoid this UK IHT;
- Other people will convert their UK pension schemes to annuities;
- Another solution may be a ROPS (formerly QROPs) export of the UK pension scheme to an Australian SMSF that is ROPS compliant. We can assist with this process.

06 Trusts & UK Tax Changes

Trusts & UK Tax Changes

Knock-on-effect of Domicile being Removed

- With the domicile tax rules being removed, the way UK trust taxation works changed substantially.
- Australian trusts, the underlying contributors to Australian trusts or their beneficiaries can be taxed in the UK at penal effective tax rates if these people are UK tax resident.
- This is a key issue to people who relied upon the UK's remittance basis of taxation to avoid UK taxation on their non-UK trust income whilst they are UK tax residents.
- One solution to these issues is to claim the UK's FIG rules during the first 4 years of UK tax residence (or after returning to the UK following 10 UK tax years of non-residence).
- However, if the FIG will not apply consider restructuring your Australian trust/s before becoming UK tax resident again.

Trusts & UK Tax Changes

Most trust tax planning no longer works for UK IHT purposes

- For a UK tax resident individual, establishing a UK trust is no longer effective.
- Furthermore, establishing a new non-UK trust whilst you are Australian tax resident, is unlikely to be effective for UK tax purposes, if you later move to the UK.
- However, pre-30 Oct 2024 non-UK trusts can be protected from the transitional rules if, further contributions have not been made to the Trust since 30 Oct 2024.



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Thank you