

International Comparative Legal Guides

# Private Client 2026

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# Industry Chapter

- 1** Private Clients' Attitudes to Wealth, According to the Practitioners Serving Them  
Emily Deane, Society of Trust and Estate Practitioners (STEP)

# Expert Analysis Chapters

- 4** The Updated UK Regime for New Residents  
Charlotte Howard & Robin Vos, Macfarlanes LLP
- 9** Pre-Immigration Planning Considerations for the HNW Client – Think Before You Leap  
Joshua S. Rubenstein, Katten Muchin Rosenman LLP
- 16** Special Considerations for Foreign Investors in U.S. Real Estate  
Adrian Pandev, Pandev Law, LLC
- 23** Foundations in the UAE: A Premier Vehicle for Wealth Preservation and Family Governance  
Joy Lahoud & Mohammed Al Kharafi, Cone Marshall Middle East CSP Ltd

# Q&A Chapters

- 30** **Andorra**  
Jose María Alfín Martín-Gamero &  
Jose Manuel Rodriguez Vizoso, FINTAX ANDORRA
- 39** **Austria**  
Elmar Drabek & Elena Manachimova,  
eos Rechtsanwälte GmbH
- 47** **Belgium**  
Griet Vanden Abeele, Emilie Van Goidsenhoven &  
Alain Van Geel, Tiberghien
- 57** **Bermuda**  
Nathan Samuels & Fiona Bada,  
Cox Hallett Wilkinson Limited
- 67** **Cyprus**  
Despina Sofokleous & Lorenzo Toffoloni,  
Andreas Th. Sofokleous LLC
- 75** **France**  
Maryse Naudin & Ouri Belmin,  
TIRARD NAUDIN A.A.R.P.I.
- 87** **Germany**  
Dr. Andreas Richter & Dr. Katharina Hemmen,  
POELLATH
- 97** **Gibraltar**  
Adrian Pilcher, Emma Lejeune & Stuart Dalmedo,  
ISOLAS LLP
- 105** **Greece**  
Anna Paraskeva & Nikos Maltezos,  
Zepos & Yannopoulos
- 112** **Japan**  
Atsushi Oishi & Makoto Sakai,  
Mori Hamada & Matsumoto
- 119** **Liechtenstein**  
Nicolai Binkert, Simon Oberhofer & Carina Mair,  
Schurti Partners Attorneys at Law Ltd
- 127** **Mexico**  
Christian Lippert, Gabriela Pellón,  
Cecilia Díaz de Rivera & Ana Elena Domínguez,  
Galicia
- 140** **Singapore**  
Sim Bock Eng, Aw Wen Ni & Tan Shao Tong,  
WongPartnership LLP
- 148** **South Africa**  
Hanneke Farrand, Antonie van Wyk,  
Jarred van der Westhuizen & Len-Michael Fouché,  
Farrand Attorneys Inc.
- 155** **Spain**  
Michael Fries, Christian Krause Moral &  
Gustavo Yanes Hernández, Monereo Meyer Abogados
- 164** **Switzerland**  
Philippe Pulfer, Philippe Kohler & Sonya Figueredo,  
Walder Wyss Ltd
- 176** **United Arab Emirates**  
Yann Mrazek, M/HQ  
Amisha Anil, Re/think
- 185** **United Kingdom**  
Edward Reed & Robin Vos, Macfarlanes LLP
- 203** **USA**  
Stephanie E. Heilborn, Christiana M. Lazo &  
Rachel J. Harris, Proskauer Rose LLP

# The Updated UK Regime for New Residents



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The UK has introduced an attractive new system of taxation known as the “FIG regime”, which is available (without charge) to people who become UK resident for the first time, or have been non-UK resident for at least 10 tax years.

The FIG regime enables eligible individuals to pay UK tax only on their UK income and gains for their first four tax years of residence. They do not need to pay UK tax on their qualifying foreign income and gains (“FIG”) but nonetheless can bring the funds to the UK if they wish.

In addition, individuals coming to the UK under the FIG regime will not be subject to inheritance tax on their worldwide assets until they have been UK resident for 10 years, nor is there any wealth or exit tax regime in the UK.

## The Previous Regime

The FIG regime was introduced on 6 April 2025. Prior to the introduction of the FIG regime, the UK had a different regime commonly known as the “non-dom regime”.

Eligibility for the non-dom regime depended on a person’s domicile and how many years they had lived in the UK. Broadly, provided a person had not formed an intention to reside in the UK permanently or indefinitely and had not lived in the UK for more than 15 of the past 20 tax years, they were eligible for the non-dom regime.

Under the non-dom regime, a person who was resident but not domiciled in the UK (a “RND”) could elect to pay UK tax only on their UK income and gains. While this was undoubtedly attractive, there were a number of downsides:

- **Cost:** there was a charge to access the non-dom regime; once a person had been UK resident for at least seven out of the past nine tax years there was a charge of £30,000 each year and once a person had been UK resident for at least 12 of the past 14 tax years, that increased to £60,000 each year. That said, while these charges were not popular, they were low compared to the tax benefits if a person had high levels of foreign income and gains.
- **Inability to access funds:** a RND was required to pay UK tax on their foreign income and gains if they “remitted” any of them to the UK. The definition of “remittance” is extremely broad and covered bringing the funds to the UK, getting a benefit from the funds in the UK or paying for UK services. This meant that a person living in the UK for a long period could find it difficult to access sufficient funds in the UK without remitting foreign income and gains and paying UK tax.
- **Uncertainty:** a person’s eligibility for the non-dom regime depended on whether they were domiciled in the UK, i.e. whether they had formed an intention to reside in the UK permanently or indefinitely. Given the subjective nature of the test, it was difficult to confirm with

certainty whether a person was eligible for the regime and whether the UK tax authorities (His Majesty’s Revenue and Customs or “HMRC”) would accept their eligibility, particularly if they had been UK resident for many years. This was unattractive for people looking for certainty over their tax position and who were wary of the potential for long-running disputes with HMRC.

## The Main Differences

The FIG regime does not face the same downsides as the non-dom regime set out above:

- **Cost:** there is no cost to accessing the FIG regime.
- **Inability to access funds:** people paying tax under the FIG regime can bring their FIG to the UK, notwithstanding that they have not paid UK tax on them.
- **Uncertainty:** eligibility for the FIG regime does not depend on a person’s domicile, but on their UK residence status. The UK has a statutory residence test which determines a person’s residence status based on clear tests. This means that in almost all cases, a person will be able to say with certainty whether or not they have been UK resident in a given year and therefore whether or not they are eligible for the FIG regime.

However, people who were paying tax under the non-dom regime and their advisers have generally not welcomed the introduction of the FIG regime. This is primarily because people can only access the FIG regime for a much shorter period – four tax years compared to 15 tax years.

The introduction of the FIG regime therefore significantly reduced the period for which people can live in the UK if they are not comfortable with worldwide taxation of their income and gains. The extent to which a person is comfortable with worldwide taxation of their income and gains will often depend on the jurisdictions in which the person’s income and gains arise, and the level of relief available under relevant tax treaties.

In addition, taxpayers accessing the FIG regime are required to identify the income and gains on which they are claiming relief in their tax return. Under the non-dom regime, a person only had to claim the benefit of the regime in their tax return and did not have to provide any further information on their foreign income and gains. The new approach will require people to give significantly more information to HMRC in order to claim relief from UK tax.

The main provisions of the new FIG regime are outlined below.

## Eligibility

A person qualifies for the FIG regime if they have been non-UK resident for at least 10 consecutive tax years. They can therefore

qualify even if they have lived in the UK previously (more than 10 years ago) or have UK citizenship or domicile.

They continue to be eligible for the FIG regime for their first four tax years of UK residence (with UK tax years running from 6 April in one year to 5 April in the next year). After that period, they will be subject to the UK's normal system of taxation, so they will be liable to UK tax on their worldwide income and gains, subject to any relief available under relevant double tax treaties.

There are a few important points to note about eligibility under the FIG regime:

- A person's UK residence status will be determined by the UK's statutory residence test. As noted above, this sets out clear tests to determine residence and there will usually be no doubt about a person's residence position.
- A person's treaty residence is not relevant – if they are UK resident under the statutory residence test, they will be eligible for the FIG regime even if they are resident elsewhere for the purposes of a relevant double tax treaty.
- It is possible in certain circumstances for a person arriving in the UK or leaving the UK part way through a tax year to claim "split year treatment", for example if they are coming to the UK to take up a full-time job. This broadly means that the person is not liable for UK tax on non-UK income or gains on the part of the year in which they were not UK resident. However, a split year still counts as a full year for the purposes of the FIG regime, so a person becoming UK resident shortly before the end of a tax year would still only have three more tax years to benefit from the FIG regime.

There are some people who benefitted from the non-dom regime prior to 6 April 2025 who will qualify for the FIG regime if they fulfil the eligibility requirements detailed above. However, many people who were benefitting from the non-dom regime have been in the UK for more than four tax years and so do not qualify for the FIG regime. Those people are now taxed on the standard basis in the UK, such that their worldwide income and gains are subject to UK tax (subject to treaty relief).

## Accessing the FIG Regime

The FIG regime will not apply automatically to people who are eligible under the criteria outlined above. Instead, taxpayers must opt in to the FIG regime in their tax returns.

Under the non-dom regime, taxpayers had to claim the benefit of the regime (in most cases) but then did not have to give any further information about their unremitted foreign income or gains.

However, under the new FIG regime, taxpayers will need to list and quantify the FIG on which they are claiming the benefit of FIG relief. This does mean that they have the flexibility to choose which income and gains to claim the benefit of the FIG regime on – although in most circumstances it will be beneficial to include all FIG in the claim to minimise UK tax.

The taxpayer must claim the benefit of the FIG regime within 12 months of the 31 January after the end of the relevant tax year. This means that for the tax year running from 6 April 2025 to 5 April 2026, the taxpayer must claim the FIG regime by 31 January 2028.

In practice, most taxpayers will include the claim for the FIG regime in their tax return, which is due by 31 January 2027, although if they have not made the claim, they do still have a further 12 months either to correct their tax return or to file a late tax return if they have not submitted a tax return.

It is important to note that if this deadline is missed, it may not be possible to claim the FIG regime. It is therefore

important for taxpayers to ensure they have carefully checked all potential sources of FIG and have included them in the FIG claim in their tax return.

## Effect of Accessing the FIG Regime

Making a claim for the FIG regime means that the income and gains specified in the tax return (but not any other income and gains) is exempt from UK tax regardless of whether the taxpayer brings the income and gains to the UK.

There is no charge to access the FIG regime, although there are a few downsides to claiming the benefit of the FIG regime (and these apply even if the taxpayer only elects for some but not all of their foreign income or gains to be taxed under the FIG regime):

- the taxpayer loses their entitlement to the income tax personal allowance and the capital gains tax annual exempt amount for the year of the claim (i.e. the amounts of income and capital gains which individuals can receive in a tax year without tax); and
- the taxpayer is not permitted to claim the benefit of any foreign income losses or foreign capital losses which arise in the year of the claim.

In practice, the loss of the personal allowance and annual exempt amount is unlikely to have a significant impact on most individuals claiming under the FIG regime. Individuals earning over £125,140 (in 2025/26) will not have any personal allowance for income in any event, and the annual exempt amount for capital gains is only £3,000 each year.

However, individuals will have to think carefully about the consequences of not being able to use foreign losses. For example, if a taxpayer had a small amount of foreign income and significant foreign capital losses, then it might be more tax efficient to set off the foreign capital losses against UK capital gains and accept UK income tax on a small amount of foreign income.

## What Personal Income/Gains Does the FIG Regime Cover?

The FIG regime is broad and will cover most foreign personal income and gains which arise while the individual is eligible for the FIG regime.

However, there are some exceptions which do not qualify for the FIG regime, usually because they are subject to a different tax regime or as an anti-avoidance provision. The main exceptions are as follows:

- Employment income – this may be covered by Overseas Workday Relief ("OWR") (discussed below).
- Overseas life policy gains – there is a separate (highly complex) UK tax regime which broadly allows individuals to withdraw 5% of the premium of the life policy each year without any UK tax.
- Any asset which derives at least 75% of its value from UK land – this is an anti-avoidance provision intended to make sure that UK tax is paid on the disposal of UK land.

The income or gains in respect of which a claim is made must have arisen while the individual was eligible for the FIG regime. It is not possible, for example, to claim the FIG regime in respect of a remittance during the four-year period of eligibility of income and gains which arose while the individual was taxed under the non-dom regime but which remained untaxed because they did not remit them to the UK.

However, any individuals who do have unremitted income or gains under the non-dom regime can make use of the Temporary Repatriation Facility ("TRF"), which was introduced on 6 April 2025 as part of the reforms which introduced the FIG regime.

The TRF is a short-term opportunity to pay tax on unremitted foreign income and gains under the non-dom regime and on certain trust distributions at a rate which is much lower than the standard rates. It applies to individuals who are UK resident and previously paid tax under the non-dom regime.

Those individuals can pay tax on unremitted income and gains at a rate of 12% until 5 April 2027. If they do not make the claim by then, they can pay tax on unremitted income and gains at a rate of 15% for a further year, until 5 April 2028. This compares to a standard top rate of 45% for income tax and 24% for capital gains tax, so the TRF is an extremely attractive opportunity for people who previously paid tax under the non-dom regime and wish to bring money to the UK.

### Alternative Regime for Employment Income – OWR

As noted above, employment income is not eligible for the FIG regime, but OWR may apply instead. OWR is not a new tax regime, but has been substantially amended from 6 April 2025 so that it is harmonised with the FIG regime.

Broadly, the new OWR regime means that taxpayers eligible for the FIG regime can also pay no UK tax on their foreign employment income, but subject to financial limits.

Under the new regime, employees are eligible for the OWR regime for the first four years of their UK tax residence, provided they have been non-UK resident for at least 10 consecutive tax years (i.e. the requirements mirror the requirements to qualify for the FIG regime). This is different to the old OWR regime, where employees were eligible for their first three years of UK residence if they had been non-UK resident for at least three consecutive tax years.

Taxpayers who are eligible can claim OWR on “qualifying foreign employment income”, which is (broadly) employment income or income from employment-related securities which:

- relates to duties performed outside the UK; and
- arises out of an employment which is wholly or partly performed outside the UK.

The extent to which income relates to duties performed outside the UK is determined on a just and reasonable basis, which usually means apportioning an employee’s earnings based on the number of workdays they have done in the UK and overseas.

As with the FIG regime, people claiming under the OWR regime can bring their foreign income to the UK (which is much more practical than the previous regime, which required non-UK income to remain outside the UK).

However, the new OWR regime has introduced a strict limit – taxpayers can only claim OWR up to the lower of £300,000 or 30% of their employment income in each tax year. This means that people who perform more than 30% of their work abroad or have employment income in excess of £1m may not be able to claim relief on the full amount of their foreign employment income.

As this is a new limit, there are transitional rules which apply to people who were already claiming OWR before the rule changes. There are two categories of people:

- People who are eligible for the OWR regime under the new rules (i.e. they have been non-UK resident for at least 10 consecutive tax years) – they can keep claiming OWR without the financial limits, and can do so for their first four tax years of UK residence.
- People who would not be eligible for the OWR regime under the new rules – they can keep claiming OWR without the financial limits, but only for their first three tax years of UK residence (in line with the old regime).

Taxpayers must claim OWR in their tax return, within the same time limits as the FIG regime. If they do so, they lose their entitlement to the income tax personal allowance and the capital gains exempt amount, as well as their ability to claim foreign losses – in the same way as the FIG regime.

The new OWR regime is harmonised with the FIG regime and many taxpayers will claim both. However, the financial limits on the OWR regime will make the UK tax regime less attractive for high earners whose income is mostly employment related.

### What Trust Income/Gains Does the FIG Regime Cover?

The FIG regime is relevant to trust income and gains as well as personal income and gains. The FIG regime is not directly relevant to trustees, because they will only be subject to UK tax if they are trustees of a UK resident trust or a trust which holds UK assets. If trustees of a non-UK resident trust receive FIG, then they will generally not be subject to UK tax even if the trust has a UK resident settlor or beneficiaries.

However, the UK has wide-ranging anti-avoidance legislation which seeks to tax UK resident settlors or beneficiaries on FIG in a trust, if the trustees have not already been subject to UK tax.

In broad terms, the anti-avoidance legislation first determines whether the settlor is liable for UK tax on the income and gains of the trust structure. Before 6 April 2026, trusts created by UK resident settlors before they became “deemed domiciled” in the UK (i.e. before they had spent 15 of the past 20 tax years in the UK) had “protected settlement” status. This meant that settlors were usually not liable to tax on the income and gains of the trust, provided there had been no additions to the trust since they became deemed domiciled and they had not received any benefits from the trust.

Protected settlement status has now been abolished, which means that many more UK resident settlors will be liable to tax on the income and gains of the trust structure.

If the settlor is not liable for UK tax on the income/gains, then those income/gains are added to a “pool” of income and gains which are “matched” to distributions or benefits provided to UK resident beneficiaries. Where a UK resident beneficiary receives a distribution or benefit which is matched to income/gains (with income being matched in priority), the beneficiary is liable to UK tax on the amount of the matched income/gains at their standard tax rate.

When the settlor or the beneficiary is UK resident but qualifies for the FIG regime, they can elect for the FIG regime to apply to overseas trust income and gains which are attributed to them, so they are not subject to tax. However, the income and gains will remain in the tax pools, so will be available to be matched to a distribution to a UK resident beneficiary in the future.

As with personal income and gains, the settlor or beneficiary can only claim the benefit of the FIG regime in respect of income and gains which would be attributed to them in a tax year in which they are eligible for the FIG regime.

However, it is worth noting that beneficiaries who previously claimed the remittance basis and have received capital payments from a trust which were matched to income and gains arising prior to 6 April 2025 may be able to claim the benefit of the TRF to bring these funds to the UK at a low tax cost.

### Interaction With Inheritance Tax

The FIG regime only covers income tax and capital gains tax, and does not affect the individual’s liability to UK inheritance tax.

Previously, individuals were subject to UK inheritance tax on their foreign assets only if they were domiciled in the UK or they had been UK resident for 15 of the past 20 tax years (such that they were deemed domiciled in the UK). Individuals were always subject to inheritance tax on their UK assets.

A new inheritance tax regime was introduced on 6 April 2025 at the same time as the FIG regime, which means that the concept of domicile is no longer relevant.

The new regime means that any individual who has been UK tax resident for 10 of the past 20 tax years is subject to inheritance tax on their worldwide assets. When an individual ceases residence in the UK, they will continue to be subject to UK inheritance tax on their worldwide assets for between three and 10 years depending on the length of the period during which they were UK resident.

This means that individuals who benefit from the FIG regime will not be subject to inheritance tax except in respect of their UK assets, and this exemption will continue until they have been UK resident for 10 years.

## Opportunities

The FIG regime is a generous and flexible regime, albeit it only lasts for four tax years so is shorter than the previous non-dom regime and equivalent regimes in some other jurisdictions. There is however no cost to access the benefits and there is no restriction on working in the UK whilst benefitting from the regime.

The FIG regime will be particularly attractive to people who want to live in the UK for a short period. This might be for work or personal reasons, or because they want to dispose of a significant asset without any taxation in their place of residence.

However, even for people who want to remain in the UK in the longer term, the FIG regime gives a four-year window to undertake planning in advance of their becoming fully taxable

in the UK. This may be especially beneficial if they only cease to be resident and taxable in another jurisdiction after they become UK resident.

For example, people benefitting from the FIG regime might consider preparing for a future period of taxation under the standard regime in the UK by:

- Disposing of foreign assets standing at a significant gain – they can claim the benefit of the FIG regime so that they do not pay capital gains tax on the sale, and avoid having to dispose of the asset later, while subject to full UK tax. The disposal could be a third-party sale, or a sale to a related entity for rebasing purposes.
- Disposing of assets producing substantial income – this ensures that they do not have to pay UK tax on the income while subject to full UK tax.
- Investing through deferral vehicles such as mutual funds or offshore life bonds – investing in assets which do not produce income and which the individual does not intend to sell while UK resident can help to defer the realisation of income and capital gains until the individual has left the UK and is no longer subject to UK taxation.

The FIG regime, the associated inheritance tax exemptions and the planning opportunities makes the UK an attractive place for a person to live for up to 10 years. While they will be subject to UK tax on their worldwide income and gains after their first four tax years under the FIG regime, there may be opportunities for managing future tax liabilities through use of deferral vehicles or relevant tax treaties.

During that whole period, the person's foreign assets will be protected from inheritance tax, and there is also no wealth tax regime in the UK. Assuming the person does wish to leave before their assets become subject to inheritance tax, they can do so without cost as there is no exit charge regime in the UK.



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