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Make Britain serious again



Keir Starmer
Lunch with the FT

Rich foreigners turn away from UK

◆ End of 'non-dom' regime blamed ◆ Inheritance tax fears ◆ Security now a 'major issue'

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Increasing numbers of wealthy foreigners say they are leaving the UK in response to the abolition of the "non-dom" regime that allowed them to avoid paying tax on overseas income.

The change, backed by both main parties, has contributed to a relative decline in the UK's attractiveness, according to more than a dozen interviews with wealthy foreigners and their advisers. Other deterrents include Brexit, fiscal and political instability, and concerns about security.

"Brexit happened and the Conservatives promised to make the UK like Sin-

gapore and instead they turned this place into Belarus," said a billionaire businessman who has lived in London for 15 years and is now moving his tax residency to Abu Dhabi. "Security is now a major issue and another contributing factor to the tax reasons for why people are wanting to leave."

In March chancellor Jeremy Hunt stole one of the Labour party's flagship fiscal policies when he announced the abolition of the non-dom regime.

Shadow chancellor Rachel Reeves followed with proposals to toughen the planned crackdown, reversing a Tory decision to permit non-doms who will lose benefits from next April to shield

foreign assets held in an offshore trust from inheritance tax permanently.

"The UK's inheritance tax of 40 per cent on your global assets is a real problem," said a European non-dom businessman in his 50s, who is moving his family to Switzerland after more than a decade in the UK. "It's the overall instability that has been the nail in the coffin for me. If there was a more balanced, less punitive inheritance tax I might have considered staying."

There were 68,800 individuals claiming non-dom status on their tax returns in 2022, according to the most recent estimates from the UK HMRC, but the lag in the data makes it impossible to



Both the Tories and Labour support the decision to abolish Britain's non-dom regime

gauge recent moves. "There is no hard and fast data on non-dom departures but there's a real buzz at the moment around people both considering leaving and actually going," said Fiona Fernie, a partner at tax and accounting firm Blick Rothenberg. "There's been a definite marker put down by both parties that non-doms are targets and whatever benefits perceived to be given to them is going to be significantly reduced. This is a catalyst for departures."

Sir Keir Starmer has sought to position Labour as the "party of wealth creation", but the non-dom changes mark one of several potential tax increases under

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Summer books

FT writers' favourite reads

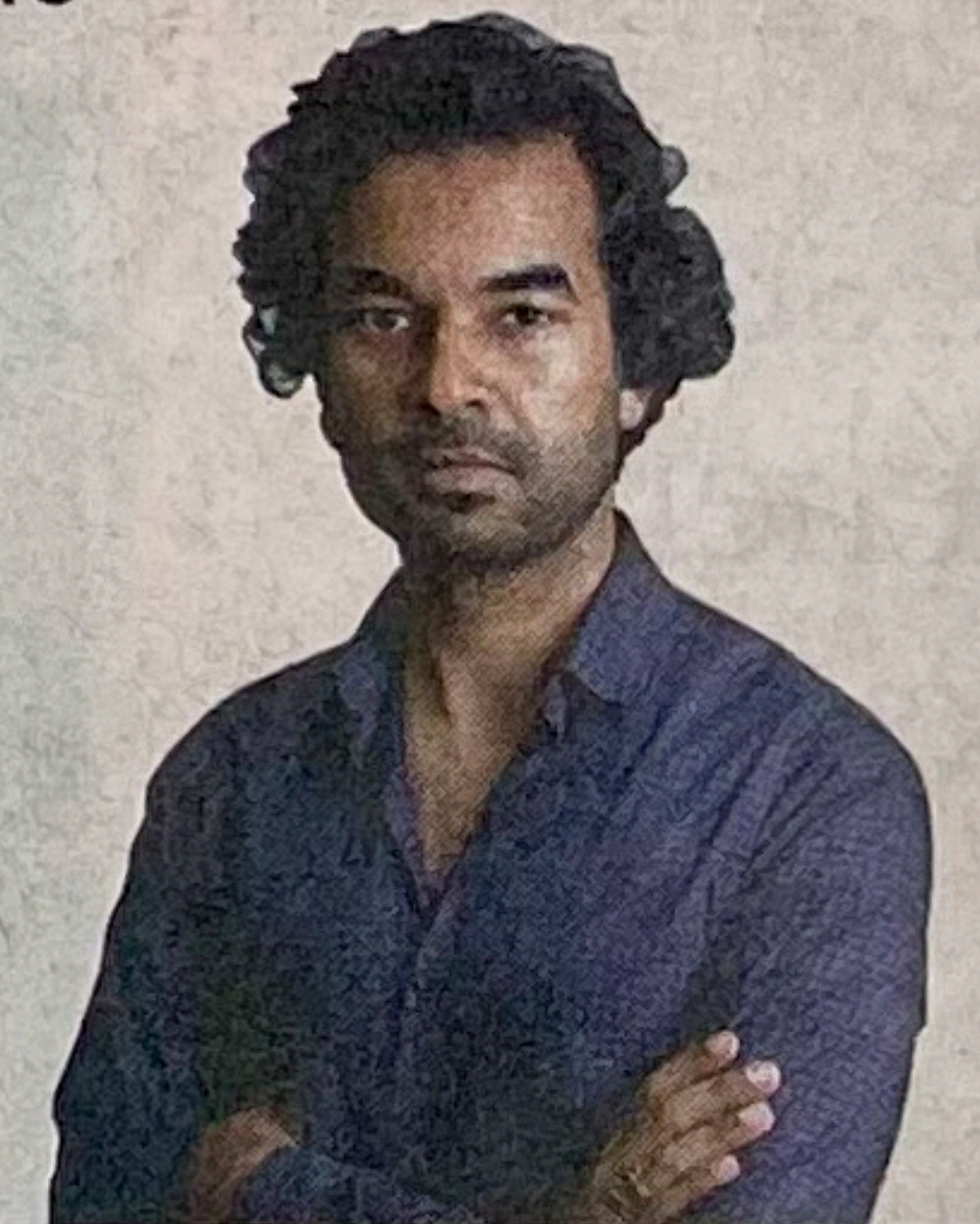
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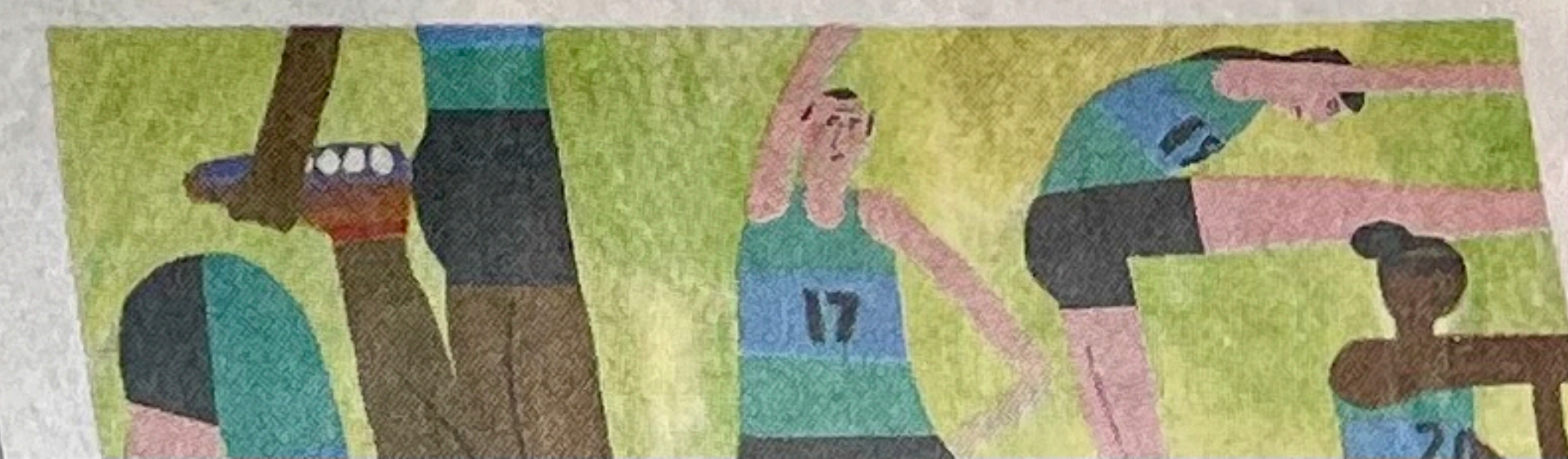
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FT WEEKEND MAGAZINE



Rich foreigners turn away from UK

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a Labour government. Labour has committed not to raise income tax, national insurance, corporation tax or VAT. But while the party insists it has “no plans” to raise capital gains tax or inheritance tax or levy a wealth tax, it has refused to rule them out.

A party official said “nobody has seen” a supposed Labour memo, reported by the Guardian, which outlined that the party was considering plans to increase the rate of CGT in line with income tax and cap business and agricultural land inheritance tax relief.

Labour officials said the report appeared to be based on research by the Institute for Fiscal Studies and Tax Pol-

icy Associates. Trevor Abrahmsohn, director of Glentree Properties, a London estate agent, said there was a steady decline in inquiries for £10mn properties, which he attributed to “higher interest rates and anticipated changes to the non-dom regime”.

Indian vaccine billionaire Adar Poonawalla last month told the Financial Times that the non-dom change had harmed the UK. “Some people are willing to pay that cost like I am, but most others aren’t,” said Poonawalla, head of the Serum Institute of India. “They can easily move out.”

One French investor in his 40s said that “any foreigner in the UK who has the option to leave is doing so because of the end of the non-dom regime”.

He is moving from London to Milan early next year, lured by a system that was announced by Italy in 2017 that exempts foreign income from Italian tax in exchange for the payment of €100,000 a year.

A crackdown on the non-dom regime began eight years ago under Conservative chancellor George Osborne. He tightened the regime so that from April 2017 foreign residents who had lived in Britain for more than 15 of the past 20 years were deemed domiciled in the UK.

Since then other European jurisdictions – including France, Italy and Portugal – have gone in the opposite direction, launching comparable non-dom or impatriation regimes to attract wealthy families, increasing competition with traditional havens such as Monaco and Switzerland. Italy, Switzerland, Malta and the Middle East are currently the most popular destinations for those leaving the UK, according to advisers.

While non-doms do not pay tax on their offshore earnings, they are taxed on their UK income. Proponents of the regime argue that non-doms bring skills, jobs and investment to Britain.

A French businessman resident in Switzerland said he had started the

process of moving part of his business to the UK but backtracked after the government announced it would abolish the non-dom regime.

“The Conservatives have sent a very strong signal that they don’t want foreigners here any more and Labour won’t do anything to change that. I’m 100 per cent sure I’m not going to come back.” He added: “Was the non-dom regime a fair system? No it wasn’t. Was it efficient? Yes it was.”

Fears of a tougher tax regime are also causing some UK nationals to look at leaving. Henley & Partners, which advises on residence and citizenship, reported a threefold increase in inquiries from UK nationals between 2022 and 2023 and a 25 per cent year-on-year increase in the first half of this year.

“A lot of the inquiries we’re getting . . . are based on the fact Labour will come in and what might happen on the back of that,” said Dominic Volek, group head of private clients.