

2 April 2026

Supplementary forecast information release

Updates to the costing of reforms to the non-domicile regime

- 1.1 The OBR is releasing this information following a request for further detail in respect of updates to the costing of reforms to the non-domicile regime in our November 2025 *Economic and fiscal outlook (EFO)*. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.
- 1.2 This release briefly describes the updates to the costing, sets out the data sources and modelling used, and discusses the main sources of uncertainty around this central estimate, following the OBR's policy costings process.¹ As set out in the *Charter for Budget Responsibility*, the Government is responsible for producing all policy costings. In the case of tax policies the costings are typically produced by HMRC. The OBR's role is to provide independent scrutiny and certification of whether the Government's policy costings are reasonable and central. This means that the full datasets underpinning tax policy costings are generally held by HMRC. Therefore, requests for access to any datasets not available at the sources referenced in this note should be directed to HMRC.

Description of updates

- 1.3 Since April 2025, a new regime has applied to the foreign income and gains (FIG) and inheritance tax (IHT) of non-domiciled taxpayers, based on residence in the UK rather than domicile. The initial costing of these reforms was set out in the March and October 2024 *EFOs*.² Since then, this initial estimate has been updated to account for:
- 1 A recosting of the reforms, in line with the OBR's standard practice of incorporating the latest information and methodological improvements where available.
 - 2 A further measure to introduce a cap of £5 million on ten-year anniversary IHT charges for existing excluded property trusts.

Recosting of the reforms to the non-domicile regime

- 1.4 The OBR routinely updates policy costings to account for new information and methodological improvements. In the November 2025 *EFO*, the costing of the reforms to the non-domicile regime was updated to account for:

¹ See our *Briefing paper No.6: Policy costings and our forecast*, March 2014.

² For more information on these and the broader methodology for the costing of reforms to the non-domicile regime, see *Supplementary forecast information release: Costing of reforms to the non-domicile regime*, January 2025.

- **Data updates:** HMRC have incorporated the latest Automatic Exchange of Information (AEOI) data,³ for 2023, improved the treatment of company accounts and trust balances in the data, and taken an average of the data over two years (for AEOI data) and three years (for self assessment data) as a basis for the costing to better account for volatility. These changes significantly reduce the yield from the new regime, by around £2 billion a year for the FIG/IHT regime, and around £4 billion for the Temporary Repatriation Facility (TRF) in 2027-28, the peak year for revenue.
- **Counterfactual growth in the non-domiciled population:** based on the latest available data on non-domiciled taxpayers covering the 2023-24 tax year,⁴ the year before the recent reforms to the regime were announced, the population of non-domiciled taxpayers is now expected to remain flat in the absence of any policy measures, rather than decrease by 1.5 per cent a year as previously assumed. This increases the yield from the new regime by around £0.4 billion a year in the medium term, as we now assume a larger number of individuals are ineligible for the new regime and face higher tax rates.
- **Incorporating deemed domiciles in the TRF tax base:** deemed UK domiciles who had previously claimed the remittance basis are eligible for the TRF, and are now accounted for in the TRF tax base using data from self assessment returns for 2022-23 and AEOI data. As these individuals are likely to have deeper ties to the UK, we assume their take-up of the TRF is lower than for other non-domiciled taxpayers, at 25 per cent for individually held assets and 40 per cent for assets held in trusts.⁵ This increases the yield from the TRF by around £4 billion in 2027-28.
- **Methodological improvements:** the static costing of the reforms previously assumed individuals ineligible for the FIG regime pay an effective average tax rate of 30.7 per cent, based on estimates from the literature.⁶ This is likely to exaggerate the impact of tax planning, for which the behavioural costing further assumes a 30 per cent loss of yield. The costing therefore now assumes effective tax rates at the standard marginal rates for income tax and capital gains tax (CGT), increasing yield from the FIG regime by around £1.5 billion a year. The costing also now accounts for a small amount of residual income tax revenues from individuals who migrate in response to the measure,⁷ and assumes the tax base for UK-based income and gains grows in line with the OBR's income tax and CGT forecasts, rather than world equity prices. These changes have a small impact on the costing.

³ This provides information on individuals' FIG, and primarily relates to the OECD's Common Reporting Standard and the US Foreign Account Tax Compliance Act. See HMRC, *IEIM402340 - Reportable Information: Reportable Jurisdictions*, April 2016.

⁴ See HMRC, *Statistical commentary on non-domiciled taxpayers in the UK*, July 2025. Interpretation of this data is difficult, in part because individuals could decide whether or not to opt in to the previous remittance basis in a given year.

⁵ The costing assumes take-up of 35 and 50 per cent among other non-domiciled taxpayers for individually held assets and assets held in trusts.

⁶ See Advani, A. and Summers, A. *Raising money from "the rich" doesn't require increasing tax rates*, June 2020. The effective tax rate from this research was adjusted to account for the increase in the main rate of CGT.

⁷ Specifically, the costing assumes 27 per cent of migrants' UK income tax liabilities are retained. See Advani, A. et al, *Taxation and Migration by the Super-rich*, May 2025.

- 1.5 While these changes have led to some significant adjustments to the composition of the costing, they leave the overall yield broadly unchanged, with slightly lower TRF revenue and slightly higher FIG revenue in the medium term. The costing remains highly uncertain, and contingent on decisions made by a relatively small number of wealthy individuals.

Table 1.1: Recosting of reforms to the non-domicile regime

	£ billion					
	Forecast					
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
FIG and IHT regime						
Autumn 2024 forecast	0.1	-5.1	-4.0	-4.3	-4.6	
Autumn 2025 forecast	0.2	-5.7	-4.4	-4.7	-5.0	-5.3
Difference	0.1	-0.6	-0.4	-0.4	-0.4	
Temporary Repatriation Facility						
Autumn 2024 forecast	0.0	-4.4	-9.2	-2.5	0.1	
Autumn 2025 forecast	0.0	-4.1	-8.8	-2.2	0.2	0.3
Difference	0.0	0.3	0.4	0.3	0.2	

Note: This table uses the convention that a negative figure means a reduction in PSNB. These estimates cover the impact on PSNB of the measures announced in March 2024 and October 2024, as at our Autumn 2024 and Autumn 2025 forecasts. Costings do not include the Scottish and Welsh BGA.

Source: OBR

Cap on ten-year anniversary IHT charges for excluded property trusts

Policy description

- 1.6 From April 2025, IHT charges on existing excluded property trusts settled on or before 30 October 2024 will be capped at £5 million per ten-year cycle. Under current rules, these trusts are subject to a charge of up to 6 per cent on total value on each ten-year anniversary (TYA), starting at up to 0.6 per cent in 2025-26, with proportionate exit charges applying when assets leave the trust between anniversaries. The cap will be phased in gradually over 10 years, reflecting the way in which the TYA charge applies over time, starting at £0.5 million for the 2025-26 financial year and increasing by £0.5 million in each subsequent financial year, reaching £2.5 million in 2029-30 and £5 million in 2034-35.

Modelling

- 1.7 The tax base is estimated using a microsimulation model applied to AEOI data, identifying a small number of trusts in 2021-22 and 2022-23 whose charges would exceed the £5 million cap. The value of assets in these trusts is projected forward in line with world equity prices. This is scaled up to account for unmatched observations in the AEOI data, in line with the costing of the wider reforms, and scaled down to account for the assumed migration response by those ineligible for the new regime.
- 1.8 The baseline for the costing is the latest costing of the new non-domicile regime (set out above). The static costing is calculated as the difference between each trust's existing ten-year anniversary liability and the new cap, with the total annualised by dividing by ten. On this basis, foregone IHT receipts are estimated to reach around £20 million at the forecast

horizon, with this figure expected to continue rising beyond the scorecard period as the applicable tax rates ramp up further.

- 1.9 No specific behavioural response is modelled for this costing. The baseline for the costing already accounts for migration, tax planning and TRF take-up as behavioural responses to the wider reforms to the non-domicile regime. The measure is not expected to materially influence these behaviours, or drive significant additional behavioural responses. The behavioural responses to this measure and the wider non-domicile reforms are highly uncertain.

Table 1.2: Key parameters used in costing of cap on ten-year anniversary IHT charges for excluded property trusts

	Forecast						Long term
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2034-35
Cap value (£ million)	0.5	1.0	1.5	2.0	2.5	3.0	5.0
TYA ramp-up (per cent)	0.6	1.2	1.8	2.4	3.0	3.6	6.0
World equity prices growth (per cent)	15.9	7.3	4.6	4.5	4.3	4.1	

Note: Between 2030-31 and 2034-35, the value of the cap rises by £500,000 per year, while the TYA ramp-up increases by 0.6 percentage points per year.

Source: HMRC, OBR

Final costing

- 1.10 The measure constitutes a small loss of yield over the forecast period, rising from £3 million in 2026-27 to £21 million by 2030-31. This profile reflects the phased implementation of both the cap and the TYA charge rate. The measure does not approach steady state until the mid-2030s, once both the cap and the charge rate are fully in place.

Table 1.3: Costing of cap on ten-year anniversary IHT charges for excluded property trusts

	£ million					
	Forecast					
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Post-behavioural costing	Neg	5	10	15	20	30

Note: This table uses the convention that a negative figure means a reduction in PSNB. The baseline for this costing is the costing of the wider reforms to the non-domicile regime, which accounts for behavioural responses by individuals. No further behavioural responses are assumed for this measure, and as such the static costing is equivalent to the final post-behavioural costing.

Source: OBR

- 1.11 This costing was assigned a high uncertainty rating. As for the wider reforms to the non-domicile regime, there is a high level of uncertainty around the size of the tax base and the behavioural response by a relatively small number of wealthy individuals.