OXFORD ECONOMICS

ASSESSING THE IMPACT OF PROPOSED REFORMS TO THE NON-DOM REGIME

A REPORT FOR FOREIGN INVESTORS FOR BRITAIN

SEPTEMBER 2024

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EXECUTIVE SUMMARY

There is limited research on the economic and fiscal impact of reforms to the taxation of non-domiciled UK residents (non-doms). Commissioned by Foreign Investors for Britain, Oxford Economics has utilised surveys responded to by 73 non-doms directly and 42 tax advisers indirectly, who represent 952 non-dom clients, to provide further insights on how non-doms will react to the reforms proposed by the government. The surveys gather insights on how non-doms will respond to the proposed changes to the regimes for both foreign income and gains (FIG) and inheritance tax (IHT). Key findings from the survey include:

- 98% of remittance basis users surveyed indicated they would emigrate from the UK sooner if the reforms were implemented and 63% indicated that they are planning on leaving within two years or actively considering leaving the UK shortly. Meanwhile, around 60% of advisers expect more than 40% of their clients to leave the UK within two years of implementation.
- 83% of non-doms identified IHT on worldwide assets as a key driver of their decision to emigrate. Advisers indicated that IHT reforms are the most important driver of migration responses for investors and entrepreneurs. Specifically, 57% of advisors cited IHT reforms as the most important driver for investors, while 55% cited them as the most important driver for entrepreneurs.
- 67% of all remittance basis user respondents indicated that they would not have immigrated to the UK had the proposed reforms been in place, while over two-thirds of advisers indicated a reduction in new clients exceeding 50% since the March 2024 Budget was announced.
- The financial impact on non-doms of the government's proposed reforms will be much larger than the impact of the 2017 reforms. This limits the value that the 2017 reforms have as a benchmark for the impact of the proposed reforms.
- The Henley Private Wealth Migration Report 2024 supports these findings, indicating that Britain will experience a net loss of 9,500 high-net-worth individuals in 2024 — more than double last year's figure of 4,200.
- Non-dom survey respondents have invested £118 million on average into the UK economy and 96% of these respondents indicated that their stock of investments in the UK would fall if they emigrated. The average contribution towards philanthropy among respondents was £5.8 million with this support being targeted towards education (universities, schools, and educational charities) and arts and culture (including museums); this contribution is not captured by existing studies and may be at risk.

We used data from the survey and other sources to estimate the fiscal impact of the proposed reforms under different scenarios. This modelling highlights the potential downside fiscal risk associated with the proposed reforms and the significant impact that key assumptions have on the estimated fiscal outcome. Key findings from the modelling show that:

- The fiscal impact of the reforms will **depend critically** on how they influence the **behavioural response of non-doms**. This includes both whether the reforms cause the current group to

shorten their stay in the UK (the 'emigration response') and whether the reforms deter future potential non-doms from choosing to reside in the UK (the 'immigration response').

- This behavioural response is **highly uncertain**, but we expect it to be **significantly larger** than induced by **previous reforms** to the non-dom tax code in 2017. Our scenario analysis indicates that reforms can be expected to **reduce** the **UK population of non-doms** by **between 7.0%** (scenario1) and **32.1%** (scenario 2) by 2029/30. The OBR estimated a response of 10% to 20% to the non-dom reforms proposed by the previous government.
- Accounting for this behavioural response, we find that instead of raising additional tax revenue, the reforms would end up costing **the Exchequer £0.9 billion** in 2029/30 **under scenario 2.**
- Under alternative assumptions—in scenario one—we find that the tax revenue impact of the reforms would raise £1.1 billion for the Exchequer in 2029/30.
- We note that **both figures are significantly less** than the **£3 billion per annum estimated by the Office for Budget Responsibility** (OBR) in steady state. The difference may be due to a smaller increase in the average tax contribution per person and revenues lost from non-doms living in the UK for less than four years in our modelling.

We consider that our research has the following implications for policy and future research:

- Our **fiscal models do not account for any wider economic effects stemming from the reduction in the size of the non-dom population**. We believe that these merit further research and consideration. This report does include anecdotal evidence (see case studies) of the wider economic effects, which notably include:
    - **Demand side effects**: our research highlights that non-doms make **significant contributions** to tax revenue **through expenditure channels** via VAT and stamp duty and a major source of philanthropic donations.
    - **Supply side effects:** the reforms will reduce **the size of a highly skilled and entrepreneurial cohort** who are a significant source of **investment finance**. This has the potential to reduce the UK's rate of economic growth.

Our research underscores that the implications of these reforms are highly uncertain and subject to unusual levels of risk. It is, therefore, important to deepen the associated evidence base and to evaluate the merits of alternative potential reforms to the non-dom tax code. For example, advisors representing non-doms have proposed the introduction of a parallel Tiered Tax Regime for investors and entrepreneurs moving to the UK which they, and Foreign Investors for Britain, believe will address the government's objectives, achieving fairness and certainty while reducing the risk of loss to the Exchequer.

1. INTRODUCTION

The government has committed to removing the concept of domiciled status from the tax system.[1] These plans will see a new residency-based regime for both foreign income and gains (FIG) and inheritance tax (IHT) start in April 2025. Under this new regime, non-domiciled UK residents (non-doms) will no longer be able to have their FIG taxed on a remittance basis unless they are in their first four years of UK residence.[2] In addition, foreign assets held abroad by non-doms who have been residents in the UK for more than 10 years will now fall within scope of IHT, and there will be provisions to keep individuals within scope of IHT for 10 years after leaving the UK.

These reforms will have significant financial implications for non-doms and the UK's public finances. The direct fiscal impact of the reforms will depend on the balance between the increase in tax revenue on a per non-dom basis and the size of the fall in the non-dom population in response to increased taxation. As non-doms make a substantial fiscal and economic contribution to the UK economy, it is crucial that the government understands the potential impact of these reforms.

Despite the significance of the proposed reforms, there is limited research on their implications. This creates a risk that the reforms have unintended consequences. Advani et al (2023),[3] the most frequently cited study in the space, estimate that abolishing the remittance basis in its entirety would raise around £3 billion through increases in income tax, capital gains tax, and national insurance revenues. Their paper used the 2017 reforms that removed access to the remittance basis for long-stay non-doms[4] to estimate the short-term emigration response of this group to an increase in taxation. It is this mobility response that underpins their fiscal analysis.

Advani et al (2023) make an important contribution to the evidence base on non-dom policy reform. However, there are several gaps in their analysis which limits its applicability to assess the overall fiscal impact of the reforms to the non-dom regime proposed by the government. Our report helps to address these gaps.

- Firstly, while the 2017 reforms did expand the scope of IHT for non-doms, the changes were small in comparison to the current IHT reforms being proposed, which will see all foreign assets held in a trust within the scope of UK IHT[5], whenever they were settled once the settlor has been a UK tax resident for 10 tax years. The closure of this shield, which the 2017 reforms

[1] HM Government, "*Changes to the taxation of non-UK domiciled individuals*", Policy Paper, August 2024.

[2] Provided they have not been a UK resident in any of the 10 consecutive years prior to their arrival.

[3] Arun Advani, David Burgherr and Andy Summers, "*Taxation and Migration by the Super Rich*", IZA Discussion Paper No 16432, September 2023.

[4] Those who have been living in the UK for over 15 years.

[5] KMPG, "*Labour responds to the government's proposed non-dom reforms*", 2024.

did not remove[6], implies a clear risk that the emigration elasticity[7] in Advani et al (2023) will not be representative of how non-doms will respond to the proposed IHT reforms.

- Secondly, Advani et al (2023) do not estimate the immigration response of potential future non-doms to changes in taxation. The immigration rate among this population is high[8], so substantive changes in this rate will have significant impacts on the size of the UK's non-dom population.
- Thirdly, the emigration response may be larger than estimated in the paper based on time lag effect. The wider literature on taxation and mobility suggests that the emigration response plays out over time[9,10]—not just the year following the reform as in Advani et al (2023)—and that emigration responses to increased taxation can be stronger than the Advani estimates.[11]
- Finally, non-doms make a wider social contribution by investing in the UK, running businesses, engaging in philanthropic activities, and paying other types of tax; these contributions are not fully captured in Advani et al (2023).

The uncertain fiscal impact of reforms in this space is highlighted by the Office for Budget Responsibility (OBR) in its analysis of non-dom reforms at the March 2024 Budget. The OBR estimate that reforms (proposed by the previous government) would raise an average of £3.1 billion a year between 2026-27 and 2028-29, and around £3 billion a year in steady state. This analysis assumes that between 10% and 20% of current non-doms that are ineligible for the new regime leave the UK. Regardless of the accuracy of this migration assumption, the reforms being proposed by the new government are more burdensome[12] than those assessed by the OBR—meaning the migration response is likely to be larger.

This report, commissioned by Foreign Investors for Britain, sets out findings on the economic and fiscal impacts of the proposed reforms to the non-dom regime. The research combines surveys carried

[6] The April 2017 reforms were significant in theory, but the rules were designed in such a way that UK resident foreign domiciles could, generally, insulate themselves from the "headline" impact of the reforms. In practice, the reforms allowed many UK residents of foreign domicile to remain UK resident without exposure to IHT on foreign assets, and generally without exposure to tax on income and gains generated by such assets. The ultimate impact of the April 2017 reforms was therefore less substantive than the proposed reforms, particularly for those UK resident foreign domiciles for whom it was practical to give assets away to a trust.

[7] The elasticity estimate in the paper captures how a change in the net-of-tax rate will change the emigration rate of affected individuals.

[8] Arun Advani, David Burgherr and Andy Summers, "*Taxation and Migration by the Super Rich*", IZA Discussion Paper No 16432, September 2023.

[9] David Agrawal, Dirk Foremny and Clara Martinez-Toledano, "*Wealth Mobility and Tax Coordination*", CESifo Working Paper No. 11048, October 2023.

[10] Enrico Moretti and Daniel Wilson, "*The effect of state taxes on the geographical location of top earners: evidence from star scientists*", American Economic Review, 2017.

[11] As the Institute for Fiscal Studies notes, Advani et al (2023) focus on the emigration response among individuals who have been in the UK over 15 years and individuals who have been in the UK for less time may be more responsive to increases in taxation.

[12] The latest proposals go further than those proposed by the previous government by including all foreign assets held in a trust within the scope of UK IHT, whenever they were settled; and by removing the 50% reduction in foreign income subject to UK tax in 2025/26.

out on a unique network of non-doms and specialist tax advisers, desk research, and fiscal modelling to provide new insights on the impact of the proposed regime. The report also features case studies which provide real-life examples of the economic and social contributions that are at risk if non-doms emigrate or never come to the UK.

2. RESEARCH FINDINGS

2.1 OVERVIEW OF APPROACH

The research approach in this report centres around surveys conducted on non-doms and specialist tax advisers. The non-dom survey was responded to by 73 current non-doms and the adviser survey was responded to by 42 specialist tax advisers representing 952 non-dom clients. Given this response rate, the survey provides a substantial addition to the economic evidence base on non-doms in the UK. It provides a unique perspective on the expected immigration response of potential future non-doms, the emigration response of current non-doms, the extent to which different aspects of the reforms will drive migration responses, and the wider economic contribution of non-doms. The findings are also supplemented by a literature review on the relationship between tax and the mobility of high-net-worth individuals.

A major advantage of the surveys is that they ask those in the non-dom ecosystem for their views on the specific reforms that will be implemented. This differentiates this study from estimates that rely on academic research about mobility responses to different policies and/or among other populations to inform how non-doms will react to these reforms. However, a survey approach does have some limitations, as there may be inherent response bias and the sample is not representative of the wider non-dom population.

On the latter point, there are two identifiable characteristics of our survey respondents which are not representative of the current UK population:

- Surveyed remittance basis users have average annual UK income and gains of £21 million; this is significantly higher that the corresponding figure in Advani et al (2023) of £370,000[13], which is based on HMRC tax data.
- Advani et al (2023) also find that around 60% of the non-dom population have employment or partnership as their main source of income, but only 11% of those surveyed for this report classed themselves as workers.[14]

To seek to mitigate the impact of this, our model splits non-doms into three groups—workers, investors,[15] and entrepreneurs.[16] This allows insights into how the reforms will affect different types of non-doms. The non-dom survey captured a higher number of responses from investors and entrepreneurs which are the groups we anticipate would be more affected by the reforms and, therefore, be subject to a larger migration response. It is also expected that members of these groups will hold more capital than the average non-dom, which our survey suggests may be at risk should investors and entrepreneurs leave the UK.

[13] The figures here are based on non-doms using the remittance basis with unremitted income and gains of more than £2,000.

[14] An individual whose primary form of income is remuneration for work carried out in the UK (whether as an employee, a self-employed individual, a director, or a partner).

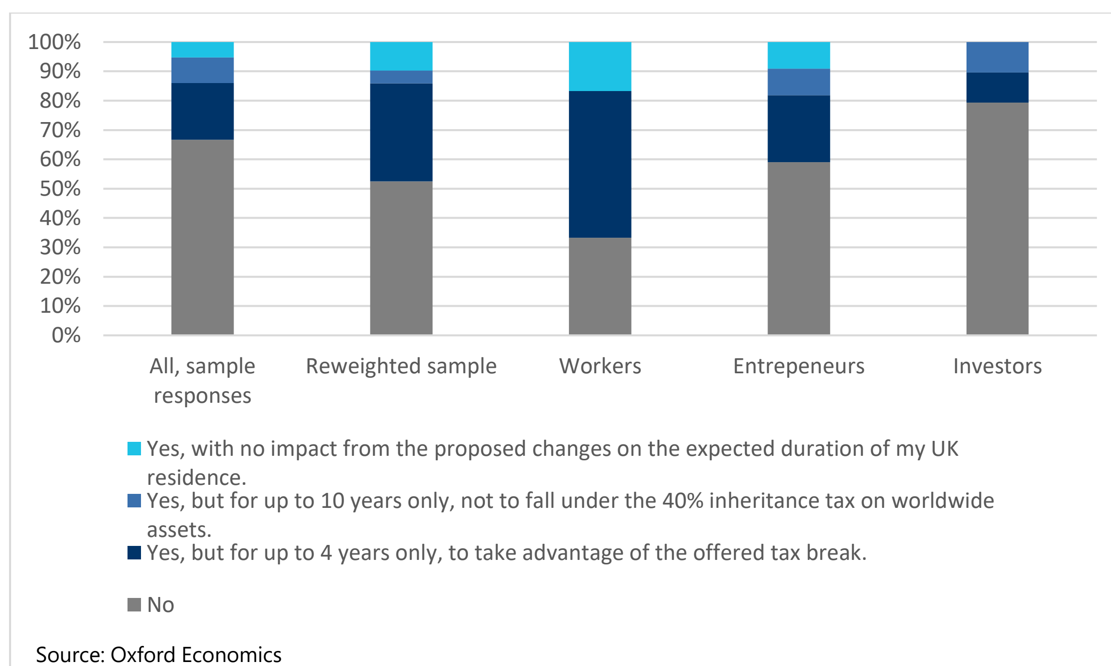
[15] An individual whose primary source of income/gains is from passive investments.

[16] An individual whose primary form of assets is represented by interests in a company, or companies, in which they own a significant stake and play a decision-making role.

2.2 IMMIGRATION RESPONSE

The non-dom survey suggests there will be a strong immigration response to the proposed regime. 67% of all remittance basis users that were surveyed indicated they would not have immigrated to the UK had the proposed reforms been in place when they moved. The immigration response was particularly strong among the investor group, with 79% indicating that they would not have immigrated to the UK under these circumstances. Even when the survey data are reweighted to align with the actual proportion of workers, entrepreneurs, and investors[17] in the non-dom population, the data still suggest that around 50% of all remittance basis users would not have immigrated to the UK had the reforms been in place.

Fig. 1. If the proposed policy was in place at the time when you moved to the UK, would you still have come to the UK? (% of remittance basis user respondents)[18]



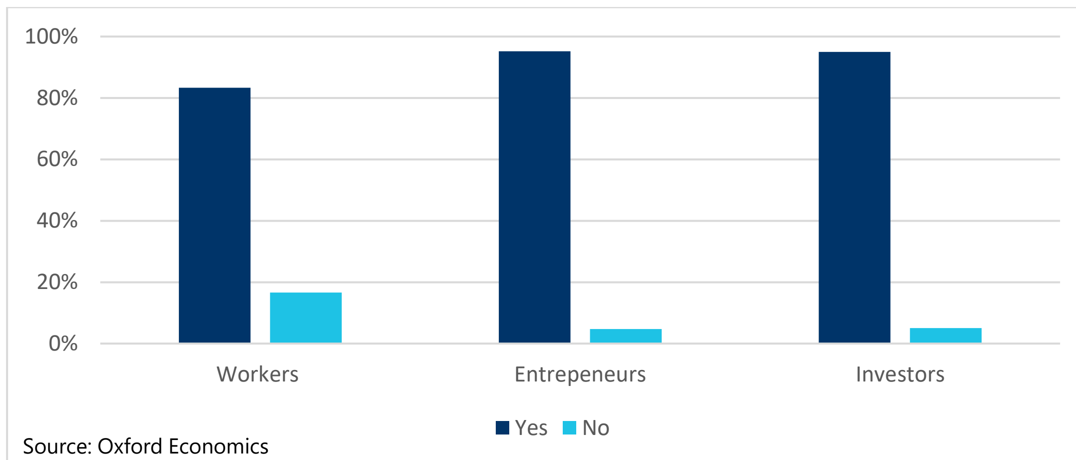
Source: Oxford Economics

The adviser survey adds further support to the findings from the non-dom survey that the immigration response will be sizeable. Over 90% of specialist tax advisers surveyed indicated that they had seen a fall in the inflow of new non-dom clients since the previous government announced they were going to reform the non-dom regime in March 2024. The survey also indicated that the falls have been significant, with over two-thirds of advisers stating that inflows had fallen by more than 50%.

[17] As in Advani et al (2023).

[18] For this question there were six workers respondents, 22 entrepreneur respondents and 29 investor respondents.

Fig. 2. Have you seen a drop off in new clients since the March 2024 Budget? (% of adviser respondents)[19]



Source: Oxford Economics

The wider economic literature on the relationship between taxation and mobility also highlights the importance of the immigration response. For example, Kleven et al (2014)[20] study the effect of changes in income tax on the international migration of top earners (a similar demographic to non-doms) using population-wide Danish tax data. The study finds that arrivals of eligible foreigners more than doubled[21] in a short period after a preferential scheme for new arrivals was implemented.

CASE STUDY ONE

Since relocating to the UK in 2017, a non-dom entrepreneur has established key business ventures in London, generating significant economic activity and contributing to the Exchequer through numerous high-paying jobs.

Most notably, this non-dom entrepreneur founded the European headquarters of an innovative tech start-up in London. Starting with a small team, the UK-based company has grown rapidly to 15 employees—and is expected to double in size in 2025, due to successful partnerships with major UK companies. This office, responsible for all international business operations outside the US, is on track to reach an annual revenue run rate of £8 million by December 2024. The company is a leader in the application of AI, advising large enterprises on how to adopt emerging technologies. And the company is the first in Europe to implement these advanced services within its relevant market. The

[19] For this question there were 18 advisers responding for workers, 21 advisers responding for entrepreneurs and 20 advisers responding for investors.

[20] Henrik Kleven, Camille Landais, Emmanuel Saez and Esben Schultz, "Migration and wage effects of taxing top earners: evidence from the foreigners' tax scheme in Denmark", The Quarterly Journal of Economics, Volume 129, Issue 1, February 2014.

[21] Relative to a control group of foreigners below the threshold.

non-dom regime made London an attractive place to reside, which ultimately led to the business being based in the same place.

In addition, the entrepreneur's family investment office, headquartered in London, employs a highly skilled investment and operations team with plans for further expansion. Corporate and payroll taxes total approximately £7.3 million annually.

The entrepreneur has also made notable philanthropic contributions through a UK-administered Donor Advised Fund, with an annual budget of £1.5 million. A third of these funds support UK-based initiatives, including medical research, clean energy projects, education, and local community support. Moreover, property investments made by the entrepreneur have generated approximately £3.8 million in revenues for the Exchequer.

If the changes to tax on foreign income and gains are implemented as proposed, the individual plans to leave in the next four years, delayed only by the desire for his children to finish their UK education. Without the entrepreneur in the UK, his growing tech company will be gradually relocated from London to Amsterdam. Additionally, his family investment office and all associated activity will relocate from London to either Zurich or New York.

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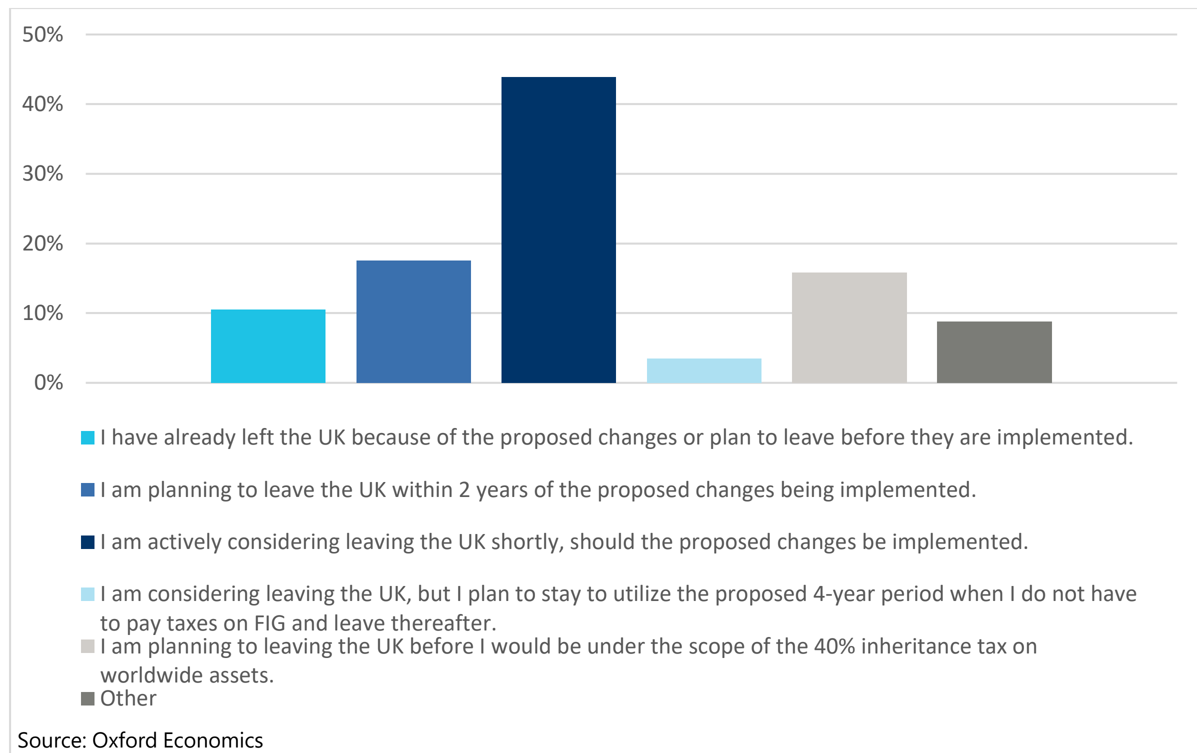
2.3 EMIGRATION RESPONSE

The non-dom survey suggests there will be a significant emigration response to the government's proposed reforms. 98% of remittance basis users surveyed indicated that they would emigrate from the UK earlier if the proposed reforms are implemented. Specifically, 63% of remittance basis user respondents indicated that they are planning on leaving within two years or are actively considering leaving the UK shortly. However, the survey also found evidence that the emigration response will not just play out in the short run— with an additional 16% of remittance basis users surveyed planning to leave the UK before they fall within scope of the 40% IHT on their worldwide assets, and an additional 4%[22] are planning to leave after utilising the four year FIG exemption.

[22] The small size of this figure reflects the fact that this option would only be selected by non-doms who have very recently arrived in the UK, as longer stayers would have selected the plan to leave in within two-years of implementation or actively considering leaving in the UK shortly options.

Fig. 3. Please provide more detail about your plans if you have indicated that the proposed reforms would accelerate the timing of you emigration? (% of remittance basis user respondents)



Source: Oxford Economics

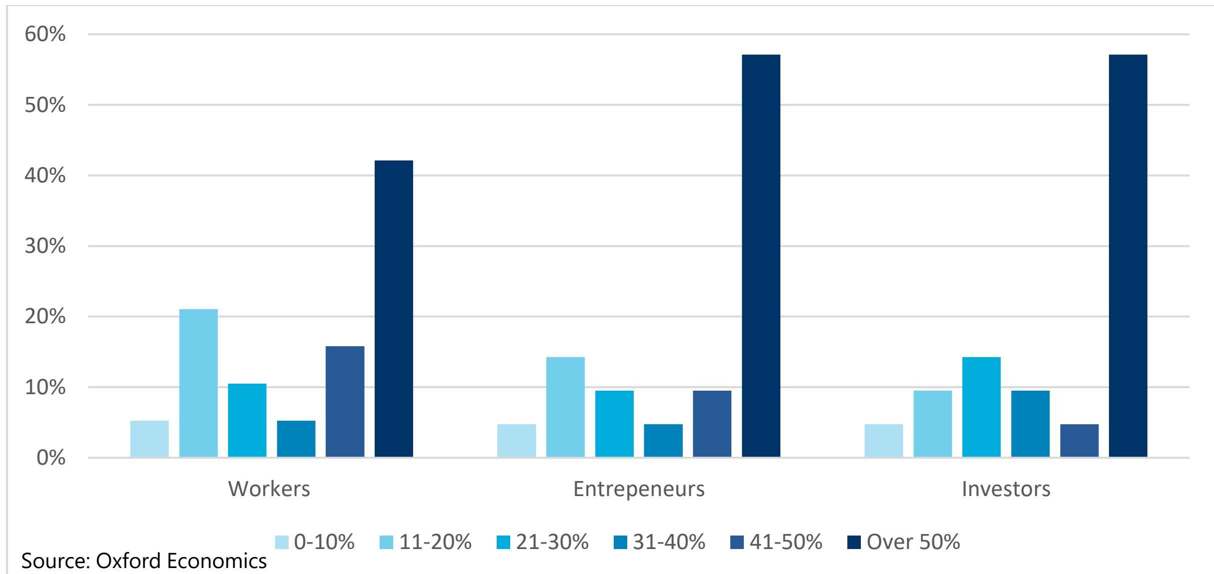
As seen with the findings from the non-dom survey, the specialist tax adviser survey adds further support that the emigration response will be sizeable. This survey indicates that around 60% of advisers expect more than 40% of their clients to leave the UK within two years of the reforms being implemented.[23] Responses from tax advisers indicate that the emigration response is expected to be higher among entrepreneur and investor clients.

The findings from the surveys suggesting a strong emigration response are also backed up by the Henley Private Wealth Migration Report 2024[24]. Henley project a net outflow of 9,500 millionaires in 2024, which is more than double the estimated 4,200 who left the UK last year.

[23] This is in addition to the naturally high outflows from this population as the question asks about clients who would not have moved had the reforms not been in place.

[24] The Henley Private Wealth Migration Report 2024

Fig. 4. If the proposed policy is implemented, what proportion of your non-dom clients do you expect to leave the UK in the near term (within 2 years of the policy being implemented) who wouldn't have done some without the reform? (% of adviser respondents)[25]



Source: Oxford Economics

The economic literature on the relationship between taxation and mobility highlights a wide range of migration responses and that these often take effect over the longer term. As seen in Fig. 5, the migration response found in Advani et al (2023) is at the lower end of responses estimated in the literature.[26] The literature also suggests that the full migration effect takes time to play out; for example, Kleven et al (2014) note the migration effect builds gradually after the reform.

Fig. 5. Estimated relationships between taxation and mobility

Study	Description
Advani et al (2023)	1% decline in net-of-tax rate (1 minus the effective tax rate) leads to 0.26 pp increase in emigration rate
Agrawal et al (2023)	1% increase in net-of-tax capital income tax rate (1 minus the effective tax on capital income), raises stock of wealth tax filers by 0.36% to 0.49% over five years.
Moretti and Wilson (2017)	A 1% increase in after-tax income in state D relative to state O is associated with a 1.8% long-run increase in the net flow of star scientists moving from O to D.
Jacobsen et al (2024)	A 1 ppt increase in the effective wealth tax rate increases the out-migration rate of wealthy taxpayers by 0.17 ppt and reduces the in-migration rate of wealthy taxpayers by 0.05 ppt.

[25] For this question there were 19 advisers responding for workers, 21 advisers responding for entrepreneurs, and 21 advisers responding for investors.

[26] This is acknowledged by the authors, see section 4.4 in Advani et al (2023).

Akcigit et al (2016)	A 1% increase in the net-of-tax rate (1 minus the effective tax rate) leads to a 0.03% increase in domestic inventors at home and a 1% increase in foreign inventors.
Kleven et al (2014)	A 1% increase in net-of-tax rate (1 minus the effective tax rate) increases high-earning foreigners by 1.5%-2%.

CASE STUDY TWO

Since relocating to the UK a decade ago as a non-dom, a prominent entrepreneur in the investment management industry has made substantial contributions to the UK economy and society. The individual founded their own asset management company in 1999, leveraging a distinguished career at a top international bank. By the time of their UK relocation, this was already a well-established firm, managing billions in assets.

The decision to move to the UK was heavily influenced by the non-dom tax regime. Without the non-dom regime, London would not have been considered a viable business location. Since relocating, the company has grown its UK presence from one person to a team of around 25, with employees relocating from other major global offices. The UK office's development has been largely driven by the ability to take advantage of the non-dom status.

The firm, managing $6 billion in client assets across 350 investors, contributes substantially to the UK economy. The UK office employs around 25 highly skilled professionals, with gross payroll of £26 million in 2023. Upwards of £10 million of this goes to the Exchequer through payroll taxes, alongside a further £1 million in corporation tax annually. On a personal level, the individual and their spouse also contribute an estimated £1–3 million annually in income tax, depending on their activities during the year.

The company’s UK operations have a broad economic footprint due to collaborations with UK-based banks, brokers, and law firms. For example, the firm's litigation-heavy investment activity results in $10 million spent annually on UK-based legal services. Future growth plans include a potential move to a larger UK office, which will be reconsidered if the proposed non-dom tax reforms are implemented.

The company has also made significant investments in the UK, particularly in the renewable energy sector. For example, the fund holds approximately $200 million of investments in UK-domiciled renewable energy companies. These investments not only contribute to the UK’s green economy but are also tied directly to the firm's UK presence. Should the individual relocate due to changes in the non-dom tax regime, these investments would likely be redomiciled to other jurisdictions.

The individual has invested $5 million in UK start-up funds, specialising in launching new businesses, particularly in the tech sector. These investments, which support local entrepreneurship, would also diminish if the proposed tax reforms are implemented. And the potential departure of this investment,

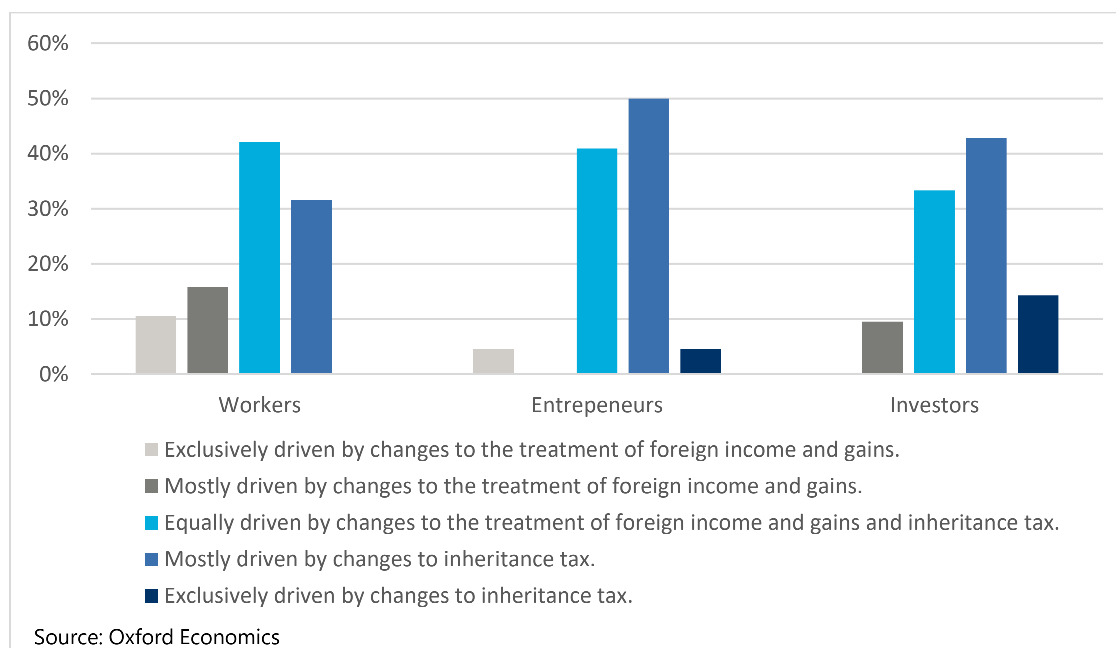
driven by changes to the non-dom tax regime, could lead to a substantial loss in capital in growth sectors.

2.4 THE IMPACT OF THE PROPOSED IHT REFORMS

While the 2017 reforms studied in Advani et al (2023) did expand the scope of IHT for non-doms[27], the changes were small in comparison to the current proposal. This implies a clear risk that the behavioural response to the 2017 reforms will not be representative of how non-doms will respond to the proposed IHT reforms. The non-dom and tax adviser surveys have been designed to gauge the extent to which the reforms to IHT versus FIG will drive non-dom emigration responses.

Advisers who responded to the survey indicated that IHT reforms were the primary driver of migration responses for investors and entrepreneurs. 57% of advisers indicated that their investor clients' migration decisions were mostly or exclusively driven by the IHT reforms, while the corresponding figure was 55% for entrepreneur clients. 42% of advisers indicated that workers' decisions to leave were equally driven by the FIG and IHT reforms.

Fig. 6. For your non-dom clients, to what extent are their migration responses driven by proposed reforms to the treatment of FIG versus IHT? (% of adviser respondents)[28]



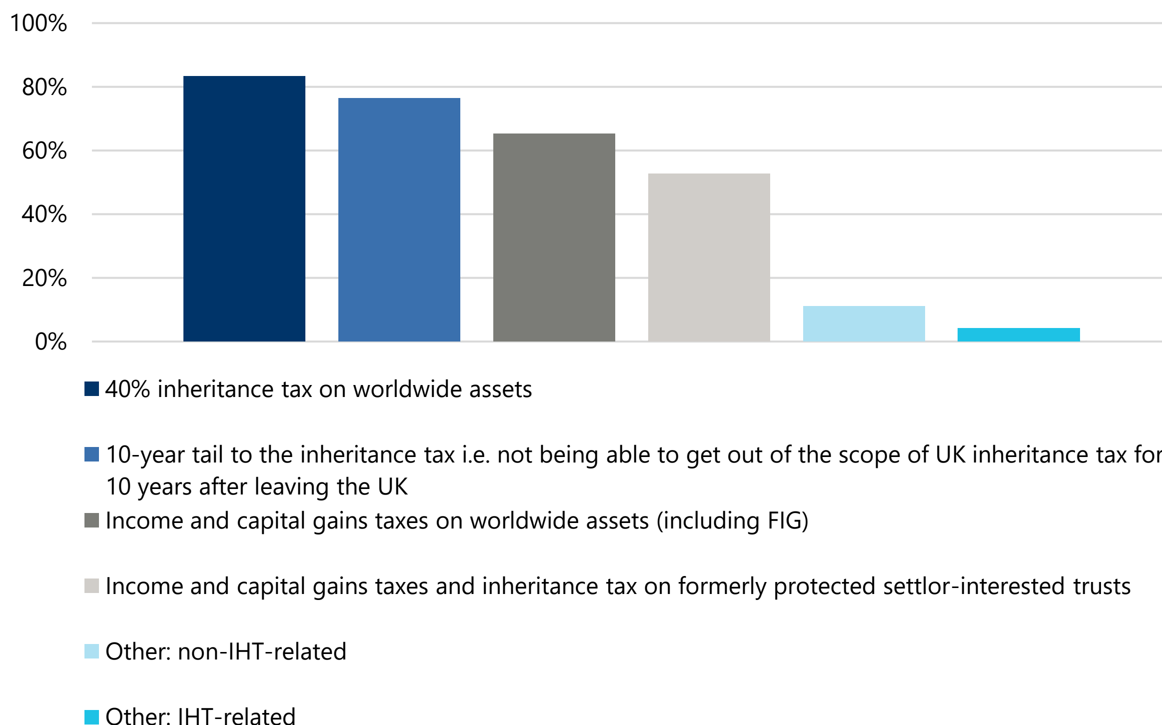
Source: Oxford Economics

In the non-dom survey, 83% of respondents indicated IHT on worldwide assets would be a key driver of their decision to emigrate. The next most frequently cited policy elements were the 10-year IHT tail (cited by 76% of respondents) and income and capital gains tax on FIG (cited by 65% of respondents).

[27] The changes took the form of (a) slightly shortening the period of UK residence before deemed domicile is acquired, from sixteen tax years to fifteen tax years, and (b) creating IHT exposure on non-UK assets which are connected with or derive their value from UK residential property.

[28] For this question there were 19 advisers responding for workers, 22 advisers for entrepreneurs, and 21 advisers for investors.

Fig. 7. Will the final design of the proposed regime as indicated currently, impact whether or not you emigrate? If so, which elements of the proposed regime are key drivers of your decision?[29] (% of non-dom respondents)



Source: Oxford Economics

CASE STUDY THREE

A seasoned entrepreneur and founder of a major real estate group with operations across Europe and the United States arrived in the UK three years ago as a non-dom. The individual chose the UK primarily due to its favourable non-dom tax regime, which mirrored tax advantages they had previously benefited from in Israel (including protections from inheritance tax). This regime was not only pivotal in attracting them to the UK but remains the key factor in their decision to stay.

The individual's economic impact in the UK is particularly significant in the real estate sector:

- Real Estate Development: The individual has made considerable investments in the UK's real estate market, including the acquisition of a property development company in the Midlands, focusing on build-to-rent projects. With a £60 million equity investment, the company is leading the way in urban regeneration efforts in Birmingham. Leveraging its award-winning expertise from successful projects across Central Europe, the company is playing a crucial role in revitalising the area, demonstrating its leadership in transforming urban landscapes.
- Social Housing Initiatives: The individual has also made significant investments in the UK's social housing sector. The individual has acquired two registered social housing providers in

[29] Respondents could select multiple options.

the North and South West of England. With a £60 million equity investment, these efforts have already resulted in over 700 affordable social housing units being built, with plans for further expansion.

Together, investments of £120 million are projected to generate £300–400 million in asset value, contributing to the UK's housing supply.

- Employment and Local Impact: The individual's ventures directly employ around 50 people in the UK, with a total gross payroll of approximately £500,000, contributing significantly to the Exchequer. Their broader impact extends to hundreds of jobs through subcontractors, particularly in the construction sector.

The individual's spouse is actively involved in philanthropy, particularly within the health and social care sector. The family's charitable contributions in the UK exceed £100,000 annually, with indirect contributions through their business ventures surpassing £1 million per year in the UK and abroad. These efforts primarily support initiatives aimed at children and the elderly.

Proposed reforms to the non-dom tax regime are a major concern for this individual. Although they are committed to remaining in the UK while they remain out of scope of the IHT regime, they have indicated that their business activities in the UK, especially in social housing, would diminish if the reforms are implemented. Such a shift would result in reduced investment. The potential loss of this contribution, which is helping to both transform communities and address the critical needs for affordable housing, underscores the broader implications of proposed reforms.

2.5 THE WIDER ECONOMIC CONTRIBUTION OF NON-DOMS

The non-dom survey also provided insights into the wider contribution of non-doms by asking questions on their investment activity and the jobs it supports, as well as their philanthropic efforts. The case studies that feature throughout this report provide real-life examples of the UK investment and charitable contributions that are at risk if non-doms emigrate or never come to the UK because of the reforms. It is important that these benefits are not lost in the policy debate, as even if the direct fiscal impact of the policy is positive, the overall net impact of the policy may still be negative if these contributions are lost.

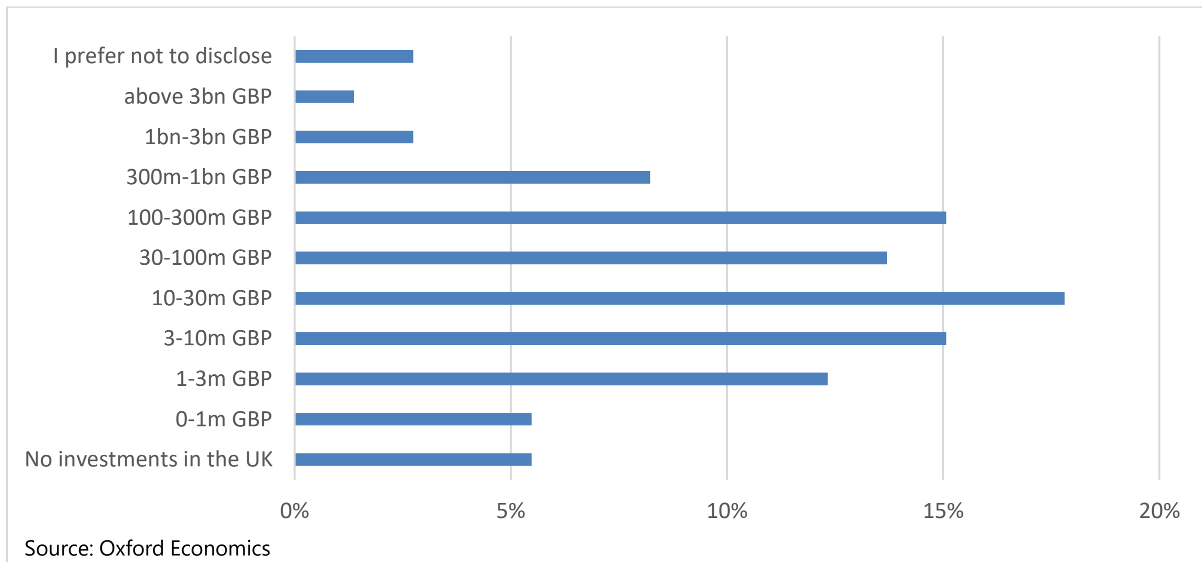
In total, surveyed non-doms indicated that they had invested £8.4 billion in the UK economy, with an average investment of £118 million.[30] Given the size of the survey sample relative to the wider non-dom population, this is likely to only be a fraction of the total investment made by non-doms. Investments from surveyed non-doms support over 15,000 jobs in the UK. The case studies highlight the economically important sectors, such as construction and tech, in which non-doms create jobs.

If respondents emigrate, or potential non-doms do not immigrate to the UK, this investment and the economic dynamism created by non-doms, which creates supply-side growth, will be reduced going

[30] This estimate is conservative in that it is based on the lower range of bands for all respondents, except for those selecting the £0–1 million group where the midpoint was used. For example, £3 million is used for those who selected £3–10 million. The median response was £10–30 million.

forward. The survey found that 96% of respondents would reduce the stock of their investment if they emigrated, with 72% of respondents indicating that their stock of investment would fall by more than 50% if they emigrated. The survey also found that non-doms with a larger stock of investment in the UK are more likely to decrease their investment if they emigrated.

Fig. 8. Can you indicate the scale of your investments in the UK economy on a total assets basis? (% of non-dom respondents)



Source: Oxford Economics

From a philanthropic perspective, non-doms also make a significant contribution to the UK. Over half of non-doms surveyed indicated that they engage in philanthropy. Among those non-doms that provided an estimate of their philanthropic contributions over the past 10 years, the average contribution was £5.8 million. Respondents frequently mentioned contributions towards education (universities, schools, and educational charities) and arts and culture (including museums). A smaller non-dom population would put this support at risk.

CASE STUDY FOUR

An internationally licensed attorney moved to London two years ago, bringing extensive experience in finance, risk assessment, and restructuring. Their decision to relocate was significantly influenced by the favourable non-dom tax regime, which they anticipated would provide a tax-efficient environment for relocating a family office, as well as establishing new business and investment ventures.

The individual founded a company which will use AI to pre-emptively identify potential liability and related operational risks. Leveraging their legal and financial expertise, they enable businesses to get ahead of problems before they arise, helping protect customers, enhance efficiency, and preserve corporate reputation. Their skills have been crucial in developing this new venture, which promises significant improvements over traditional methods.

However, the proposed non-dom tax reforms are prompting the individual to consider relocating earlier than planned. If enacted, these reforms will force the individual and their family to reassess their stay in the UK—and will lead to the immediate departure of extended family members. While

becoming long-term domiciled in the UK was previously a real possibility, they will now leave sooner—potentially immediately, depending on the extent of the reforms.

The reforms will result in elements of this individual's business leaving the UK, immediately reducing its economic contributions. Once the individual leaves, they will move the entire company—with the UK losing all associated economic activity, from jobs and income directly supported by the business, to wider dynamic activity through associated supply chains.

The individual also manages substantial family wealth, spending over £300,000 annually on UK-based advisors and services. The introduction of the new tax regime would prompt a shift of these expenditures away from the UK, including a further £700,000 spent by extended family who will also move.

In addition, they and the family have made investments in a UK-based venture capital fund and early-stage UK tech companies. For example, they invested in a start-up which uses AI to streamline due diligence. That investment, though small, has been instrumental in supporting innovation within the UK. The proposed reforms mean they are no longer considering any further investments.

Highly active in charitable work in their previous country of residence, the individual previously regularly donated 10% of their income and gains. However, they have paused similar efforts in the UK due to uncertainty about their future. This is despite the individual's active desire to contribute to the UK, a country where they view themselves a "guest". While the reforms are being finalised, they will focus on supporting their community on a more personal level.

3. FISCAL MODELLING

3.1 OVERVIEW

Despite the significance of the proposed reforms, there is limited research on their fiscal impact. This creates a risk that they will have unintended consequences. Advani et al (2023) estimate that abolishing the remittance basis in its entirety would raise around £3 billion. Meanwhile, the OBR estimates that the reforms proposed by the previous government would raise an average of £3.1 billion a year between 2026-27 and 2028-29 and around £3 billion a year in steady state. Neither costing reflects the reforms proposed by the current government, and there are several gaps in the Advani et al (2023) paper which limits its applicability in assessing the full fiscal impact of reforms in this space.

In this section, we use findings from the non-dom and specialist tax adviser surveys to estimate the fiscal impact of the proposed reforms. A major advantage of the surveys is that they provide insights from those directly affected by the reforms on how they will respond. This is opposed to relying on academic research about mobility responses to other policies and among other populations, which may not accurately reflect how non-doms will react to the proposed reforms. However, the survey approach has limitations, as there may be inherent response bias and the sample is not fully representative of the wider non-dom population.

The surveys also provide data on the expected change in non-dom tax contributions that will result due to the reforms. These data provide valuable insights given the significant uncertainty around the magnitude of the increase in taxes paid by the non-doms who remain in the UK after the reforms are implemented. The modelling combines these data[31] with elasticities from the literature to estimate the migration response of non-doms to the reforms.

This section sets out the fiscal impact of the reforms in two different scenarios, employing different assumptions. This modelling provides a range for the fiscal impacts of the reforms and illustrates how changes in core assumptions, which are inherently uncertain, have major impacts on the costing.

- **Scenario 1**: Estimates the fiscal impact of the reforms factoring in the increase in tax contributions on a per non-dom basis, a longer emigration response than captured in Advani et al (2023), and an immigration response based on Kleven et al (2023). This scenario factors in a policy induced emigration response that takes four years to be fully realised and an immigration response, but only reflects how non-doms respond to the FIG reforms.
- **Scenario 2**: Estimates the fiscal impact of the reforms based on the increase in tax contributions on a per non-dom basis and uses survey responses to calibrate the impact of the reforms on immigration and emigration rates.[32] This scenario reflects an emigration response and an immigration response to the reforms to both the FIG and IHT regimes.

[31] The change in the net-of-average-tax rate is used here to mirror the approach used in the literature.

[32] Given the limited response rate among workers, this immigration response for this group is modelled using the change in their net-of-average-tax rate as in Scenario 2, rather than based on their survey responses.

However, it is limited by potential inherent response bias in the survey and the fact that the sample is not representative of the wider non-dom population.

The modelling splits non-doms into investors, workers, and entrepreneurs to reflect the differences in behavioural responses and changes in taxation under the reforms across these groups.

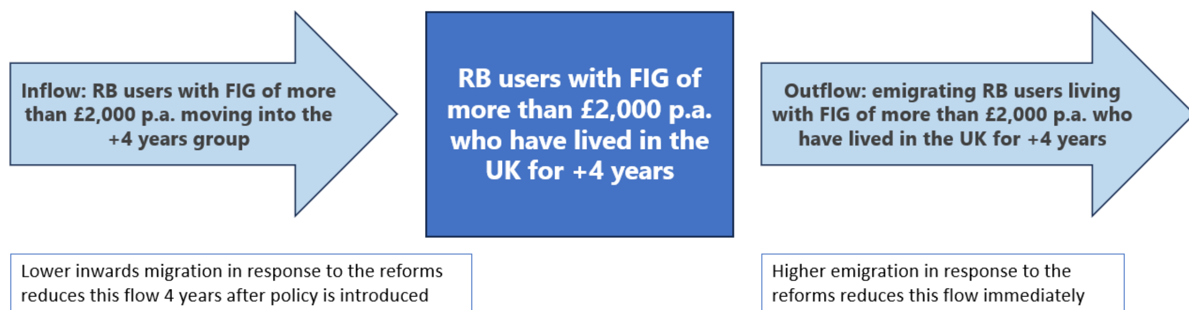
3.2 RESULTS

3.2.1 Population changes

The no-change baseline population consists of an estimated 5,500 individuals[33] who currently claim the remittance basis, have FIG of more than £2,000,[34] and have lived in the UK for more than four years. In the no-change baseline, the population is assumed to remain stable over time as policy changes, economic shocks, and data lags mean there is significant uncertainty around the population's trajectory over the forecast period. If the population is on a downward trajectory this would reduce the magnitude of the reform's fiscal impact (whether positive or negative), and if it was on an upward trajectory this would increase the magnitude of the reform's impact (whether positive or negative).

The reforms will affect this population in two ways. They will lead to higher outflows of non-doms that are now ineligible for the regime (the emigration response) and reduced inflows on non-doms who become ineligible for the regime due to time of stay in the UK (the immigration response).

Fig. 9. Overview of population modelling approach



The first scenario sees a small fall relative to the baseline population of 2.2% in 2025/26. This reflects a short-run emigration response from ineligible non-doms who now face a lower net-of-average tax rate. The population falls over the following three years, driven by a persistent fall in the emigration rate, before stabilising over the remainder of the forecast. This results in a 7.0% fall relative to the no-change baseline population at the forecast horizon in 2029/30.

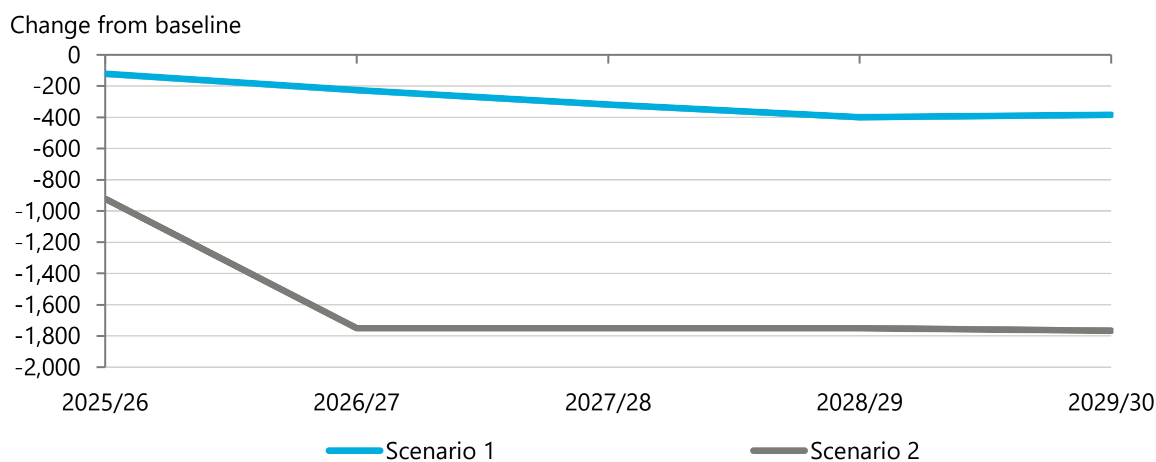
The second scenario sees a sharp fall of 16.7% relative to the baseline population 2025/26. This reflects the high proportion of survey respondents who indicated that they are either planning to

[33] As per the population used by the OBR in its March 2024 Economic and Fiscal Outlook.

[34] Non-doms with FIG of less than £2,000 are not liable to pay tax on their FIG.

leave the UK in the next two years due to the reforms or are actively considering leaving in the short term.[35] The fall continues over the remainder of the forecast based on the finding that nearly 80% of remittance basis using investors surveyed indicated that they would not have come to the UK if the proposed reforms had been in place when they arrive—which leads to a permanently smaller inflow of non-doms. This results in a 32.1% fall relative to the no-change baseline population at the forecast horizon in 2029/30.

Fig. 10. Change in population of remittance basis using non-doms with foreign income and gains in excess of £2,000 who have lived in the UK for more than 4 years



Source: Oxford Economics

The population modelling and fiscal estimates also consider the impact of the reforms on those eligible for the benefits of the reforms (i.e., individuals living in the UK for under four years). As the reforms will increase the tax contribution for new arrivals who stay in the UK beyond four years, which makes the UK a less attractive destination, the analysis also captures a fall in new arrivals driven through a lower immigration rate.

Fig. 11. Commentary on the population the forecast

	Why scenario may underestimate population response	Why scenario may overestimate population response
Scenario 1	• Elasticities only capture changes in effective tax rate that result from taxation on FIG and therefore won't capture response triggered by IHT reforms.	
Scenario 2		• In the survey immigration and emigration responses are likely to suffer from an inherent response bias.

[35] It is assumed that two-thirds of those who say they are planning to leave the UK due to the reforms do leave, and that of those actively considering leave the UK, one-third do leave.

		• Survey respondents, who are wealthier than the average non-doms, may be more responsive to changes in taxation.

CASE STUDY FIVE

The subject of this case study has resided in the UK for four and a half years. The country's non-dom tax regime was the "sole factor" influencing their move to the UK. If the proposed reforms to this regime are enacted, they intend to emigrate immediately. However, they recognise the need for revisions to the policy and have expressed a willingness to pay a substantial flat fee to maintain their non-dom status.

Although the individual is not employed in the UK, their impact on the economy is substantial through various indirect means, such as significant personal spending. For example, they make considerable indirect contributions to the Exchequer via their personal spending, around £40,000 per month—almost £500,000 per year—in VAT alone. The direct employment supported by their household also contributes to the Exchequer through payroll taxes, with gross annual pay of around £700,000 per year for more than five full-time employees.

A further notable aspect of this individual's contribution to the UK is their extensive philanthropic activities. In the last three and a half years, their charitable donations have been diverse and substantial:

- **Arts and culture donations, including donations to the National Gallery and Science Museum:** £500,000
- **Capital expenditure on public schools:** £700,000
- **Bursaries to public schools:** £600,000
- **Miscellaneous charitable donations:** £200,000

Their contributions to public schools provide bursaries that support students from diverse backgrounds, including those displaced by geopolitical crises like the Russian invasion of Ukraine. The individual has also funded significant capital projects at schools, such new sports facilities, contributing to both immediate and long-term educational infrastructure.

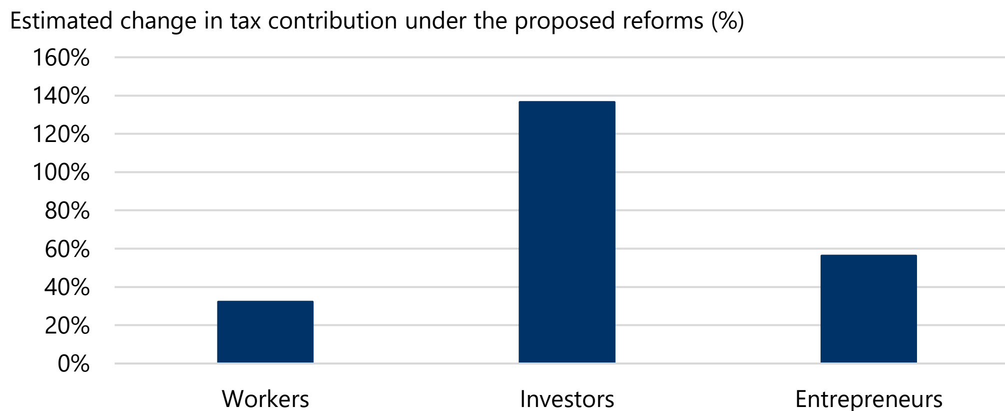
A relocation would result in an immediate cessation of their personal expenditures, including their substantial VAT contributions and the employment directly supported by their UK household. Their philanthropic donations would also diminish significantly, leading to a loss of ongoing support for cultural and educational institutions.

3.2.2 Increases in taxation for those who do not emigrate

The increase in taxation for non-doms that remain in the UK was estimated based on survey returns. Survey responses on non-doms' income, assets, and tax paid in the UK were used to estimate the current effective tax rate of investors, entrepreneurs, and workers. Survey data on the expected increase in UK tax that would be paid under the new regime were then used to estimate the change in

the effective tax rate for each non-dom type. Across the whole sample, the survey returns suggest that the reforms will increase tax paid per person by around 75%.

Fig. 12. Estimated increase in tax paid per person across non-dom groups (%)



Source: Oxford Economics

It is important to note that this analysis reflects changes in income tax, national insurance, and capital gains tax that result from the reforms. The modelling does not capture other types of tax revenue that would be lost should the non-dom population decrease.

CASE STUDY SIX

Since moving to the UK five years ago, this successful non-dom entrepreneur has made significant contributions to the UK economy. Drawn by the non-dom tax regime—most notably, the 15-year exemption window on foreign income and gains tax and favourable inheritance tax treatment for protected trust settlements— they developed strong roots in the UK.

Their diverse contributions include:

- **Employment:** They set up a family office in London, employing over 10 highly skilled professionals, many of whom have individual salaries in excess of £150,000, and contributing significantly to the Exchequer through payroll taxes and national insurance payments.
- **Investment:** They have invested directly in a range of UK-based businesses, some of which employ over 100 people.
- **Charitable Giving:** In the last six months, they have donated over £1 million to UK charities, focusing on scientific research, arts and culture, and children's charities. Such contributions may diminish in the longer term, as these individuals favour other countries in anticipation of leaving the UK.

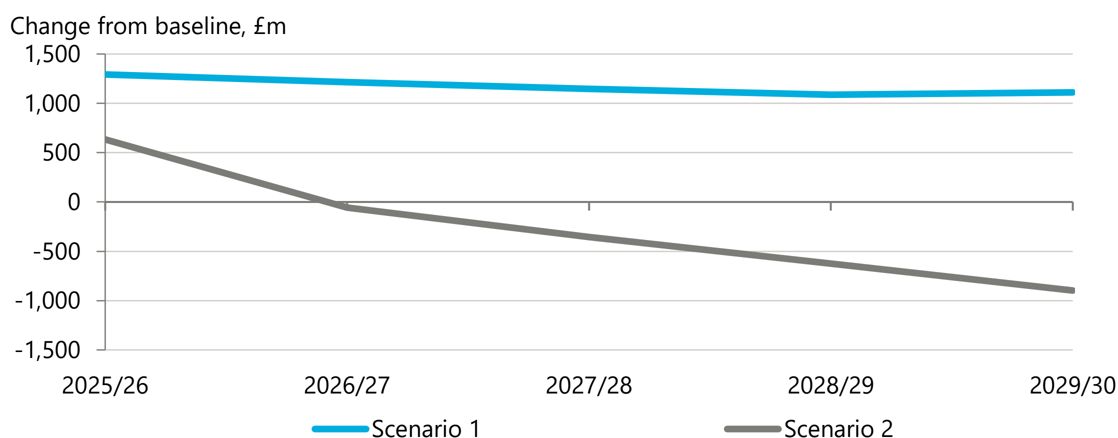
Although the subject of this case study is not planning to leave the UK immediately, their economic and social impact during their time here will be reduced by the reforms to the non-dom regime. The anticipated reduction in their long-term contributions, particularly in terms of Exchequer contributions and charitable giving, underscores a broader concern about the potential for diminished economic and social benefits—even among non-doms who plan to remain in the UK after the proposed reforms are implemented.

3.2.3 Fiscal impact

The overall fiscal impact varies significantly across the different scenarios, highlighting the impact that changes in assumptions regarding the immigration and emigration responses have on the costing.

In Scenario 1, the reforms raise £1.3 billion in 2025/26 in current prices, which falls to £1.1 billion by 2029/30. In Scenario 2, the reforms result in a fiscal gain of £0.6 billion 2025/26. The fiscal impact of the policy deteriorates over the remainder of the forecast period as elevated emigration rates in the near term and reduced immigration over the longer-term reduce the size of the population significantly. In 2029/30, under these assumptions, the reforms result in a fiscal cost of £0.9 billion.

Fig. 13. Fiscal impact of the proposed reforms across scenarios (£m, current prices)



Source: Oxford Economics

3.3 DISCUSSION

These results illustrate both the potential downside fiscal risk associated with the proposed reforms and the significant impact that key assumptions can have on the overall costing.

Importantly, this modelling does not capture the wider fiscal contribution made by non-doms. The surveys showcase the significant investment that non-doms make in the UK economy. This investment and the economic dynamism that comes with it increases supply and drives economic growth, which indirectly increases tax revenues. The case studies also highlight the large VAT and stamp duty contributions made by non-doms that will be lost if the population decreases.

The modelling also does not factor in the impact on other streams of revenue—IHT tax and tax on remitted foreign income and gains.

- The reforms may lead to higher IHT revenues.[36] The wider literature suggests that increases in IHT on high-net-worth individuals tend to be revenue-positive, with increased IHT revenues outweighing other revenues lost due to migration. However, there are examples where the

[36] A response to this element of the reform package is only captured in Scenario 3.

cost-benefit ratio from IHT increases has been negative.[37] A further issue with this body of literature is that it does not typically capture the wider economic and social impact created by high-net-worth individuals, such as investments in the economy and their impact on government revenues.

- Under the reform FIG that is remitted by eligible individuals will no longer be taxed this will reduce revenues, and it is not captured within the modelling. In addition, the government intends to put a new Temporary Repatriation Facility (TRF) in place for individuals who have previously been taxed on the remittance basis. The rate and the length of time that the TRF will be available is still to be confirmed, so this has also not been factored into the modelling.

Notably, the fiscal gains in Scenario 1, which sees a smaller population response, is lower than the OBR's estimates of similar reforms proposed by the previous government. The OBR assumes that between 10% and 20% of current non-doms ineligible for the new regime will leave the UK. This estimate sits above the estimated population response in Scenario 1. It is not clear what exactly is driving these differences in the costing. Two possible explanations are that the additional tax revenue raised per eligible non-dom is lower in our modelling, and differences in the costing of lost revenues from non-doms living in the UK for under four years.

The OBR state that its tax base consists of the estimated 5,500 individuals who are ineligible for the new regime and who would pay full UK tax on their FIG. They estimate that this will raise around £3 billion annually. This suggests that the additional revenue raised through non-doms who remain in the UK in their analysis is significantly higher than the increase in taxation suggested in our survey (see section 3.2.2).

The magnitude of the additional tax raised on a per-person basis is highly uncertain as non-doms are not required to declare their FIG on their UK tax returns. One major advantage of our approach is that the estimated increase in tax paid in our modelling is based on responses from specialist tax advisers who have a strong understanding of their clients' wider financial position. If the increase in the average tax contribution of ineligible individuals is smaller than assumed in the OBR's modelling, this could have a significant impact on the size of the fiscal gains associated with the reforms.

Publicly available data on the non-dom population (characteristics, inflows and outflows and tax contributions) are limited and lagged. This creates significant challenges in estimating the fiscal impact of the government's proposed reforms. There is also limited research on the fiscal impact of alternative approaches to reforming the non-dom regime (international examples are covered in the following section). Improved data and further research will help support policymaking in this space.

[37] Moretti and Wilson (2023) find that in California, the cost-benefit ratio is 1.45, indicating that if California adopted the estate tax on billionaires, the state would lose revenues by a significant margin.

4. POLICY ALTERNATIVES

A policy benchmarking exercise highlights that the new reforms will make the UK less competitive compared to other countries and that there are a range of alternative regimes which may be more attractive to non-doms. The new reforms offer a tax exemption with a much shorter term than those available in competitor nations. In addition to this, the rate of IHT, once the exemption has ended, is much higher in the UK than in many other countries with non-dom regimes.

Fig. 14. Policy benchmarking

Country	Headline description	Fee	Time limit	IHT exemption	Tax free remittance	IHT post regime
UK	**Non-doms can opt into remittance-based taxation on their foreign income and gains**	**Up to £60,000**	**15 years**	**Yes**	**No**	**40%**
UK under reform	**New residents are exempt from taxation on foreign income and gains for four years after arrival.**	**-**	**4 years**	**Yes**	**Yes**	**40%**
Italy	Optional tax regime for new residents that allows them to substitute regular taxation on income generated outside Italy for a lump sum.	€200,000	15 years	Yes	Yes	4-8%
Spain	Offers new residents reduced income tax on Spanish income and doesn't apply tax on FIG.	-	6 years	No	Yes	8-34%
Greece	Optional tax regime for new residents that exempts all foreign sourced income from taxation in Greece subject to investment and payment of a fee.	€100,000	15 years	Yes	Yes	1-40%
France	New residents are exempt from taxation on 50% of income and capital gains from foreign sources.	-	8 years	Yes	Yes	5-45%
Cyprus	Non-doms are exempt from tax on investment income and gains from the disposal of foreign investments.	-	17 years	Yes	Yes	0%
Gibraltar	New HNW residents are only taxed on first £118k of worldwide taxable income and pay no capital gains tax	-	Indefinite	Yes	Yes - Above £118,000	0%
Malta	Non-doms are not taxed on unremitted foreign income and no tax on gains whether remitted to or not.	-	Indefinite	Yes	Income – No Gains - Yes	0%
Monaco	No income or capital gains tax for tax residents	-	Indefinite	Yes	-	0%
Netherlands	The 30% ruling is a tax advantage for highly skilled expats hired to work in the Netherlands. Upon meeting the requirements, an individuals can receive up to 30% of their salary as a tax-free allowance.	-	5 years	-	No	40%
Switzerland	Under this system, eligible individuals can opt for a simplified method of assessing their income and wealth for tax purposes based on their annual expenses and the canton they reside in.	Varies based on Canton	Indefinite	No	Yes	Varies by Canton

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