Friends Provident International

UK Inheritance Tax

Residency regime

For financial advisers only

This guide provides a summary of the new residence-based regime for UK Inheritance Tax (IHT) introduced in April 2025.

What has changed?

Prior to April 2025, individuals who were UK domiciled or deemed domiciled at the time of their death were subject to UK IHT on their worldwide estate. Individuals who were not UK domiciled or deemed domiciled were subject to UK IHT on any UK situs assets only.

Although the principles are similar, UK Domicile/Non-UK Domicile have been replaced by Long Term Resident and Non-Long Term Resident respectively.

UK Long Term Resident

An individual will be treated as a Long Term Resident if they are UK tax resident according to the UK Statutory Resident Test (SRT) for either:

- the previous 10 consecutive years, or
- a total of 10 years or more within the previous 20 years

Once this status is attained, the individual's worldwide estate is subject to UK IHT, rather than just those assets situated in the UK.

Leaving the UK

An individual may leave the UK and become a non-resident for income tax and capital gains tax purposes. However, they can remain within scope of UK IHT in respect of their worldwide assets.

Leaving the UK as long-term resident

An individual can be classed as a UK long-term resident for up to 10 tax years after they have left the UK. This period is reduced if the individual has not lived in the UK for all of the previous 20 tax years.

The following table highlights the 'IHT tail' which could apply to someone who has held Long Term Resident status and is subject to IHT on their worldwide estate.

Tax years UK resident out of the previous 20	IHT Tail (years)
10-13	3
14	4
15	5
16	6
17	7
18	8
19	9
20+	10

Planning may be required for those leaving the UK to ensure that IHT liabilities are covered whilst they retain Long Term Resident status.

Moving to/returning to the UK

Individuals who have not previously been UK tax resident, will only be classified as Long Term Resident once they have been UK tax resident under the SRT for 10 years or more.

Individuals that were previously UK resident prior to returning, may need to include previous years of residence in the UK to determine if they meet the 10/20 year rule.

If an individual has been a UK non-resident for 10 consecutive years before returning to the UK, the long-term residence test will reset (i.e. the 20-year lookback period). This would allow returning UK expats to benefit from a further ten years without their worldwide assets falling within the scope of UK IHT.

Important notes

For financial advisers only. Not to be distributed to, nor relied on by, retail clients.

Taxation of an offshore policy is subject to the client's residency.

Please note that every care has been taken to ensure that the information provided is current and in accordance with our understanding of current law and HM Revenue and Customs' (HMRC) practice as of April 2025.

You should note however, that we cannot take on the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change.

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