

Finance Act 2025

Relevant to Advanced Taxation – United Kingdom (ATX-UK)

This article covers the changes made by the Finance Act 2025 (which is the legislation as it relates to the tax year 2025/26).

It should be read by those of you who are sitting the ATX-UK exam in the period from 1 June 2026 to 31 March 2027 and in June 2027.

Please note that if you are sitting ATX-UK in the period 1 June 2025 to 31 March 2026, you will be examined on the Finance (No. 2) Act 2023, the Finance (No. 1) Act 2024 and the Finance (No. 2) Act 2024 which is the legislation as it relates to the tax year 2024/25. Accordingly, this article is not relevant to you, and you should instead refer to the Finance Act 2024 article published on the ACCA website.

All of the changes set out in the TX-UK article (see 'Related links') are also relevant to ATX-UK. In addition, all of the exclusions set out in the TX-UK article apply equally to ATX-UK unless they are referred to below.

This article does not refer to any amendments to the ATX-UK syllabus coverage unless they directly relate to legislative changes and candidates should therefore consult the ATX-UK *Syllabus and Study Guide* for the period 1 June 2026 to 31 March 2027 and in June 2027 for details of such amendments.

Devolved taxes

You are reminded that none of the current or impending devolved taxes for Scotland, Wales, and Northern Ireland are, or will be, examinable.

Non-technical matters

On the ACCA Global website, there are several non-technical resources relevant to ATX-UK which you should refer to.

- [Professional skills in Strategic Professional Options exams](#)
- [Professional skills for ATX](#)
- [Ethics questions in ATX](#)

Changes relevant to the ATX-UK exam only

Income tax and capital gains tax

From 6 April 2025 the new foreign income and gains (FIG) regime applies. The FIG regime means that an individual's domicile is no longer relevant for income tax and capital gains tax purposes. Therefore, the concepts of domicile and deemed domicile, and the remittance basis, will **no longer be examinable** for ATX-UK exams from June 2026.

The concept of residence and its relevance to income tax and capital gains tax remain **examinable**. Generally, a UK tax resident individual is charged to income tax on worldwide income, and to capital gains tax on worldwide gains. However, relief for FIG is now available to certain individuals who are newly UK tax resident. This FIG regime is **examinable** as described below.

Basics of the FIG regime

The FIG regime applies for an individual in the first tax year of UK tax residence (and in each of the next three tax years if UK tax resident) following a period of at least 10 consecutive tax years of non-UK tax residence. Note that any year in which the split year basis applies is treated as a full year of UK tax residence for the purpose of the FIG regime.

For each of these first four tax years, such an individual ('a qualifying new resident') can make a foreign income claim and/or a foreign gain claim.

In the ATX-UK exam, if the foreign income claim is made, the individual's foreign income of that tax year is not chargeable to income tax.

If a foreign gain claim is made, the individual's foreign gains are not chargeable to capital gains tax.

For ATX-UK exam purposes, you should assume that a foreign income claim would cover all foreign income of the tax year, and that a foreign gain claim would cover all foreign gains.

You should think about the relevance of the FIG regime in an exam scenario where a UK tax resident individual has recently come to the UK after a long period of non-UK tax residence, and the individual has foreign income and/or foreign gains.

The claims

A claim for a tax year must be made within 12 months of 31 January following the end of the tax year. Therefore, a claim for the tax year 2025/26 must be made by 31 January 2028.

A qualifying new resident can make a foreign income claim, a foreign gain claim, both, or neither. Each claim (of whatever type) only applies for the tax year it is made, so separate claims must be made for each of the relevant four tax years if possible and desirable.

If the individual is not UK tax resident in one or more of the three tax years following the first tax year of UK tax residence, the individual cannot make a claim for that tax year of non-UK tax residence. However, the FIG of a non-UK tax resident individual would not be taxable in any case. Alternatively, the individual may be UK tax resident but choose not to make a claim in any of these four tax years, for reasons discussed below.

If the individual is UK tax resident after the relevant four tax years, claims can no longer be made and the individual is taxed on worldwide income and gains, as for any other UK tax resident.

Other consequences of the claims

There are other consequences if **either** claim is made for a tax year.

- The individual is not entitled to the personal allowance, the annual exempt amount, or a tax reduction for the transferable amount of personal allowance for spouses and civil partners, in that tax year.
- No relief is available for a foreign trading loss or a foreign property business loss of that tax year.
- A loss on disposal of a foreign asset in the tax year is not an allowable loss.
- There is no relief as a tax reducer for interest costs on the financing of an overseas residential property which is let out.

If a foreign income claim is made covering income which would otherwise be relevant earnings for pension contribution purposes, that income effectively no longer counts as such.

Given these other consequences, it may not be beneficial to make a particular claim. For example, a higher rate taxpayer may choose not to make a foreign gain claim to save 24% capital gains tax on a small foreign taxable gain, to instead retain the personal allowance saving tax at 40% on income.

If no claim is made in a tax year, the foreign income and gains are taxed in the UK as normal for a UK tax resident, and if foreign tax is also payable, double tax relief (DTR) may be available to reduce the UK tax payable.

In the ATX-UK exam, you may need to consider the amount of income and gains, the rates of tax applicable, the loss of allowances and reliefs due to the claim(s), and DTR, when

calculating income tax or capital gains tax, or when advising whether FIG claims should be made.

Tax year 2025/26 and subsequent tax years

The FIG regime begins to apply in the tax year 2025/26, so a qualifying new resident who first became UK tax resident before then, qualifies from 2025/26 for however many tax years remain of the first four tax years.

For example, an individual who first became UK tax resident in the tax year 2024/25 after being non-UK tax resident for at least 10 consecutive tax years, qualifies for the relief in the tax years 2025/26, 2026/27 and 2027/28 if UK tax resident in those years. An individual who has been UK tax resident since the tax year 2021/22 does not qualify for the relief in 2025/26 as this would be after the relevant four tax years.

In the ATX-UK exam, you may have to consider whether an FIG claim can be made for the tax year 2025/26 or subsequent years, taking into account the individual's residence status in earlier years.

Topics not examinable in the ATX-UK exam

Details of which specific foreign income qualifies for the relief are **not examinable**. In the ATX-UK exam, if an individual is a qualifying new resident based on the facts of the scenario, you should assume that the individual's foreign income qualifies for the relief.

The foreign employment election is **not examinable**.

Transitional rules for former non-UK domiciled individuals who have previously used the remittance basis are **not examinable**. This includes rebasing rules for capital gains tax purposes and the temporary repatriation facility.

Inheritance tax

Long-term UK resident – relevance for inheritance tax

From 6 April 2025, domicile is no longer relevant for inheritance tax and so is **not examinable** for ATX-UK exams from June 2026. For inheritance tax purposes, domicile is replaced by a new status, long-term UK residence, which is **examinable**.

An individual who is a long-term UK resident is charged to inheritance tax on worldwide asset transfers. An individual who is not a long-term UK resident is not charged to inheritance tax on overseas assets, only on UK assets.

Definition of a long-term UK resident

An individual is a long-term UK resident in the current tax year if the individual was UK tax resident for at least 10 of the 20 tax years preceding the current tax year. Note that residence for this purpose is determined by the statutory residence test as for income tax and capital gains tax.

For example, an individual who has previously always been non-UK tax resident but moves to the UK, will become a long-term UK resident **after** 10 tax years of UK tax residence.

For the purposes of the ATX UK exam, an individual is not a long-term UK resident if the definition above is not met.

You will also need to have an awareness of the rules which apply when a long-term UK resident leaves the UK becoming non-resident, i.e., that the individual will remain a long-term UK resident (and therefore overseas assets remain liable to UK IHT) for a number of tax years after becoming non-UK tax resident.

The number of years depends on the length of time the individual has been UK tax resident. In the ATX UK exam you only need to be aware that an individual who has always been UK

tax resident will only lose their long-term UK residence status after ten years of non-UK tax residence.

Transfer between spouses or civil partners

There is a restriction on the exempt amount of a transfer by a long-term UK resident to a spouse or civil partner who is not a long-term UK resident. An election can be made for the recipient to be treated as a long-term UK resident for these purposes so that the restriction does not apply. These rules mirror previously examinable rules for transfers by a UK-domiciled individual to a non-UK domiciled spouse or civil partner, and they remain **examinable** but in their revised form.

Topics not examinable in the ATX-UK exam

The rules determining whether a young person (under the age of 20) is a long-term UK resident are **not examinable**.

Again, transitional rules for former non-UK domiciled individuals are **not examinable**.

Further reading

The following technical articles will be published on the ACCA website at a later date:

- Taxation of the unincorporated business – the new business
- Taxation of the unincorporated business – the existing business
- International aspects of personal taxation
- Inheritance tax and capital gains tax
- Trusts and tax
- Corporation tax
- Corporation tax – Group relief
- Corporation tax – Groups and chargeable gains

The following exam technique articles will also be published on the ACCA website at a later date:

- *ATX-UK Summary of available articles*
- *Passing the ATX-UK exam*
- *Stepping up from TX-UK to ATX-UK*
- *Examiner's approach to ATX-UK*
- *Guidance on answering Section A questions in ATX-UK*
- *Exam technique and fundamental technical issues for ATX-UK*
- *Improving your performance in ATX-UK*
- *Making the best use of the tax tables in your ATX-UK exam*
- *ATX essentials on one page*
- *Useful tips from the ATX examining team*

Written by a member of the ATX-UK examining team