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INTERNATIONAL PRIVATE WEALTH SPOTLIGHT.

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RESIDENCY REDEFINED – WHY THE STATUTORY RESIDENCE TEST NOW MATTERS MORE THAN EVER

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INTRODUCTION.

October marks a period of steady change in the UK's private wealth landscape. Key measures are already in motion — business and agricultural reliefs will be capped, pensions are due to come within the IHT net, VAT now applies to school fees, and further reforms to lifetime gifting are under discussion. These developments are not just technical adjustments; they influence succession planning, liquidity, and everyday financial decisions.

At the centre is residency. With the abolition of the non-dom regime, the Statutory Residence Test (SRT) now plays a central role in determining UK tax exposure.

Whether clients are staying, leaving, or arriving, their residence status will dictate how global wealth is treated.

This month's briefings look at IHT, gifting, and business relief, while our Spotlight Feature explains why the SRT has become so critical. The message is clear: prepare early, keep records, and build flexibility into planning.



STACY LAKE
stacylake@boltburdon.co.uk

Partner and Head of International Private Wealth at Bolt Burdon, Stacy advises HNW and globally mobile families on cross-border tax, trusts, and estate planning.

KEY DEVELOPMENTS.

UK EXPATRIATES GAIN FROM IHT REFORM

From 6 April 2025, UK inheritance tax will be tied to residence, not domicile. Individuals who are not long-term UK residents (LTRs) — fewer than 10 of the last 20 tax years — will only be taxed on UK assets, with non-UK assets outside the IHT net.

This is a major departure from the old deemed domicile and "formerly domiciled resident" rules, which could pull worldwide estates back into IHT after only brief periods of UK residence.

For the first time, British expats have genuine planning scope: those who have spent 10 consecutive years abroad can return to the UK and still enjoy up to a decade in which non-UK assets remain outside IHT. For those who stay overseas, the opportunity is greater still — non-UK assets can remain entirely beyond the UK IHT net indefinitely, so long as LTR status is avoided.

The message is clear: accurate residency tracking has become the foundation of effective IHT planning.

LIFETIME GIFTING UNDER REVIEW

With the Autumn Budget approaching, HM Treasury has hinted that lifetime gifting rules may soon tighten. Possible reforms (if rumours are to be believed) include scrapping the seven-year rule or limiting exemptions, adding to the earlier changes: scaling back business and agricultural reliefs from April 2026 and drawing pensions into IHT from 2027.

These moves could significantly alter wealth transfer strategies. For decades, potentially exempt transfers and annual allowances have been core tools for families wishing to support younger generations, pass on business assets, or reduce IHT exposure. Replacing these with a lifetime cap or flat tax, as seen abroad, would affect not just ultra-wealthy families but also those making modest gifts for education or support.

Advisers should review client records, consider liquidity on death, and build flexibility through trusts, family investment companies, or share structuring. Without clear, consistent policy, piecemeal reform risks undermining confidence in long-term succession planning.

MIDDLE-CLASS BUSINESS OWNERS RETHINK SUCCESSION AND SCHOOLING COSTS

Upcoming reforms are set to reshape the landscape for UK owner-managers. From April 2026, Business Property Relief (BPR) will be capped at £1m, with only 50% relief above that. Employers' NICs rose to 15% from April 2025, while the VAT exemption on private-school fees ended in January 2025, bringing 20% VAT onto a major family expense.

These combined pressures are prompting many long-term UK residents and domiciled business owners to explore restructuring options abroad. Dubai remains the leading hub, offering a tax-neutral environment and flexible residency routes. Spain is also seeing renewed interest, especially from families attracted by its lifestyle and proximity, albeit balanced against local wealth and succession taxes.

For advisers, the key will be weighing the comparative regimes against clients' succession goals, liquidity planning, and ongoing UK tax exposure. Early review of structures and cross-border implications is essential.



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SPOTLIGHT FEATURE

RESIDENCY REDEFINED – WHY THE SRT NOW MATTERS MORE THAN EVER.

When the Statutory Residence Test (SRT) was introduced in 2013, it promised clarity: a rules-based framework to replace decades of uncertainty about UK tax residence. For years it sat quietly in the background. That changed in April 2025. With the end of the non-dom regime and the move to residence-based inheritance tax, the SRT now decides not just income and gains exposure but the reach of IHT itself.

FROM CHECKLIST TO GATEKEEPER

The SRT categorises individuals as:

- **Automatic residents** (183+ days).
- **Automatic non-residents** (as few as 16 days if recently resident).
- **The grey zone**, where ties – family, accommodation, work, 90-day presence – are weighed against day counts.

It is this grey zone that matters most. Diaries, flight logs and even digital footprints can become evidence. What was once background compliance is now the dividing line between global taxation in the UK and protection abroad.

WHY LEAVING IS HARDER

For those departing the UK, intention is no longer enough. HMRC will test whether family, home and business ties still anchor life here. A credible "exit file" requires:

- A permanent home abroad.
- Spouse and children genuinely resident overseas.
- UK directorships, contracts and bank accounts wound down.
- Day-count records that align with thresholds.

Split-year treatment, work ties and UK accommodation continue to trap families who believe they have left, while long-term residents may face up to ten years of IHT exposure even after departure.



IMPLICATIONS FOR ADVISERS

HMRC is expected to scrutinise ties more aggressively. Exceptional circumstances claims are already being tested, and further disputes are likely. Advisers should treat SRT limits as hard rules, not guidelines, and prepare contemporaneous evidence for every claim.

For clients, casual day-counting is no longer an administrative detail — it defines whether their worldwide estate is exposed to 40% IHT.

For advisers, the priority is clear:

- Audit days regularly.
- Build exit files with leases, school admissions, tax filings abroad.
- Ensure treaty reliance is watertight, especially for US clients.
- Complete pre-arrival structuring before UK residence begins.

RESIDENCY AS DESTINY

The SRT was meant to simplify. Instead, in 2025 it becomes the ultimate arbiter of legacy. Where clients are resident – and where they are not – will determine how succession strategies, family businesses and global wealth are taxed for the next generation.

IN CLOSING.

As we approach the Autumn Budget, clients face a climate where established tools - from PETs to BPR - can no longer be relied on without question. Residency status, record-keeping and structural flexibility will separate those who navigate the changes smoothly from those caught unprepared.

The challenge for advisers is to help families plan across borders with confidence, even as the rules evolve. That means balancing immediate pressures with long-term vision, and ensuring strategies remain adaptable to future reform.

This month's updates highlight a turning point: **private wealth planning is no longer about static solutions. It is about proving where you live, anticipating what may change, and building resilience into every structure.**

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Stacy Lake
stacylake@boltburdon.co.uk
+44 (0)7912 238 692
boltburdon.co.uk