# Chancellor faces pressure to reverse non-dom tax overhaul amid wealthy departures



The UK government is facing growing pressure to reconsider its recent overhaul of the non-domiciled (non-dom) tax rules, as mounting evidence indicates that the country’s super-rich are increasingly leaving in response to the changes. Chancellor Rachel Reeves had hoped to boost Treasury revenues by ending a centuries-old system that allowed wealthy foreign residents to avoid UK taxes on their overseas income and assets, including inheritance tax. Yet, contrary to expectations, these reforms may be having the opposite effect—potentially reducing tax receipts while damaging Britain’s appeal to globally mobile investors critical for economic growth.

Since the new rules took effect in April 2025, which notably extended a 40% inheritance tax to the worldwide estates of non-doms, the UK has witnessed a sharp rise in departures by wealthy individuals. A study tracking corporate directors’ movements revealed a 75% increase in such departures compared to the previous year, with prominent figures such as Egyptian entrepreneur Nassef Sawiris, British private equity pioneer Jeremy Coller, and financier Christian Angermayer relocating to more tax-friendly jurisdictions like Milan, Monaco, and the United Arab Emirates.

This trend has raised alarm bells among business leaders and political advisors alike. According to reports, Reeves was persuaded to reconsider the tax changes following lobbying from key business figures and advice from her economic aide, who engaged with non-doms expressing a desire to stay but stating they felt compelled to leave. The exodus of wealthy residents threatens not only tax revenue but also UK’s reputation as a global financial hub.

The reform, championed by both the Labour government and its Conservative predecessor, was initially supported by academic research from institutions such as the London School of Economics and Warwick University, which suggested minimal impact on non-dom residency. However, those studies were based on earlier, less stringent changes and did not account for the inheritance tax imposition, a move now seen as a game-changer that has triggered widespread relocation.

Critics argue that the alteration risks accelerating a "brain drain" of entrepreneurial talent and capital, which could have long-lasting consequences for investment, philanthropy, and innovation across the UK. Charities and cultural organisations fear losing significant benefactors, while economists warn that such policies might undermine the UK's competitiveness against other financial centres like Switzerland, Italy, and Dubai, which continue to offer more favourable tax regimes.

Although the government estimates that ending non-dom tax privileges could bring in an additional £2.6 to £3.4 billion annually, early indicators suggest this figure may fall short due to the scale of capital flight and resident departures. Wealthy individuals are also increasingly resigning from exclusive London clubs to avoid establishing taxable residency links, highlighting the broader social impact of the reforms.

Facing this backlash, the Treasury is reportedly considering amending the inheritance tax rules to stop further exits. However, some industry insiders warn that the damage to investor confidence and the UK's attractiveness may already be significant. The challenge for Reeves and her team will be to balance the political objective of taxing wealth fairly with the economic necessity of maintaining a hospitable environment for global capital and talent.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://observer.co.uk/news/business/article/chancellor-faces-u-turn-on-tax-rules-after-non-doms-take-fright), [[6]](https://www.reuters.com/breakingviews/uk-is-now-risky-lab-rat-rich-tax-perk-reform-2024-12-04/), [[4]](https://www.ft.com/content/1e4e4fb6-a0ee-4764-9197-e982c4c212a4)
* Paragraph 2 – [[1]](https://observer.co.uk/news/business/article/chancellor-faces-u-turn-on-tax-rules-after-non-doms-take-fright), [[2]](https://www.ft.com/content/542abc05-3db1-4902-9bac-fd993f859ed7), [[3]](https://www.ft.com/content/ba781c26-f3f0-4657-bad7-d47337353790)
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* Paragraph 6 – [[5]](https://www.lemonde.fr/en/economy/article/2024/08/09/in-the-uk-two-centuries-of-tax-exemption-for-wealthy-foreigners-are-about-to-end_6712079_19.html), [[7]](https://www.ft.com/content/f771cf7e-3bfb-41e8-91f3-5edeae37fd1b), [[2]](https://www.ft.com/content/542abc05-3db1-4902-9bac-fd993f859ed7)
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## Bibliography

1. <https://observer.co.uk/news/business/article/chancellor-faces-u-turn-on-tax-rules-after-non-doms-take-fright> - Please view link - unable to able to access data
2. <https://www.ft.com/content/542abc05-3db1-4902-9bac-fd993f859ed7> - The UK government's decision to impose inheritance tax on the worldwide assets of non-domiciled (non-dom) residents has led to a significant exodus of wealthy individuals from the country. Chancellor Rachel Reeves is considering reversing this change, but the damage may already be done, as nearly a third of non-dom clients are reportedly relocating to countries with more favorable tax regimes like the UAE, Italy, and Switzerland. Critics argue that the policy could harm the UK's economy by reducing tax revenue and investment.
3. <https://www.ft.com/content/ba781c26-f3f0-4657-bad7-d47337353790> - UK Chancellor Rachel Reeves is contemplating revisions to the newly implemented inheritance tax rules for non-domiciled individuals (non-doms), following a wave of wealthy residents leaving the country and pressure from the City of London. Since April 2025, the UK's abolition of the non-dom regime extends a 40% inheritance tax to global assets of non-doms, causing concern among financiers and officials. The Treasury may alter the policy to maintain international competitiveness. Prominent billionaires such as Lakshmi Mittal and Nassef Sawiris have either left or plan to leave the UK due to these taxation changes.
4. <https://www.ft.com/content/1e4e4fb6-a0ee-4764-9197-e982c4c212a4> - The UK is facing an accelerating brain drain among its wealthy non-domiciled residents due to recent tax policy changes, including the phasing out of the non-dom status and revisions to inheritance tax. Wealthy individuals and entrepreneurs are increasingly relocating to countries with more favorable tax environments such as Dubai and Italy. This trend is raising concerns among charities, the arts sector, and business leaders who fear the loss of significant investment, tax contributions, and philanthropy. Critics argue these changes could deter long-term investment and innovation, especially as potential entrepreneurs anticipate leaving within a few years to avoid taxation.
5. <https://www.lemonde.fr/en/economy/article/2024/08/09/in-the-uk-two-centuries-of-tax-exemption-for-wealthy-foreigners-are-about-to-end_6712079_19.html> - In the UK, a tax exemption that has existed since 1799 and benefited wealthy foreigners will end soon. Known as 'non-dom' status, it allowed foreign residents to only pay taxes on UK-earned or repatriated income, exempting foreign income. This change, effective from April 2025, is driven by Labour's push and will also end the non-doms' inheritance tax exemption. Labour estimates the reform will raise £2.6 to £3.4 billion annually. Currently, 83,000 non-doms pay £12.4 billion in various taxes, with 37,800 being seriously impacted by the reform.
6. <https://www.reuters.com/breakingviews/uk-is-now-risky-lab-rat-rich-tax-perk-reform-2024-12-04/> - Britain's government, led by finance minister Rachel Reeves, has eliminated the 'non-dom' status, which allowed wealthy foreigners to avoid taxes on overseas income, sparking concerns about potential capital flight. The old rules were deemed outdated, providing fiscal perks to affluent non-domiciled individuals since the 18th century. With this reform, Reeves aims to generate more revenue to manage the growing fiscal deficit. However, there is anxiety that many wealthy individuals might leave the UK for low-tax countries like Switzerland, Italy, or Dubai.
7. <https://www.ft.com/content/f771cf7e-3bfb-41e8-91f3-5edeae37fd1b> - Wealthy non-domiciled individuals (non-doms) are resigning from prestigious London private members’ clubs to avoid signaling residency ties to HM Revenue & Customs (HMRC) and thus becoming liable for UK taxes. This move follows the UK government's abolition of the non-dom regime, which previously allowed residents claiming foreign permanent homes to sidestep UK taxes on overseas income. Prominent figures, including billionaire Lakshmi Mittal, have left or are planning to leave the UK. Legal advisors now caution that memberships in clubs like Annabel’s and Soho House can be used as evidence of connection to the UK under HMRC’s Statutory Residence Test.