Labour's tax plans trigger exodus of millionaires from UK

Since the general election was called one dollar millionaire has left Britain every 45 minutes

by Andrew Ellson and Tom Saunders
Saturday January 18th 2025, The Times

A record number of millionaires have left Britain since Sir Keir Starmer came to power and there is growing concern that Labour's tax plans are exiling international investors and damaging the economy. The Treasury is facing calls to reverse its crackdown on non-domiciled residents as the scale of the exodus becomes clear.

Tax advisers also report that growing numbers of British entrepreneurs are prepared to leave the country after the tax rises announced in the autumn budget.

In total Britain lost a net 10,800 millionaires to migration last year, a 157% increase on 2023, meaning it lost more wealthy residents than any other country except China. The actual number that moved out is even higher because the net figure also takes into account the millionaires who arrived in the UK.
The outflow, mainly to other European countries such as Italy and Switzerland, as well as the United Arab Emirates, was especially large among the UK's richest residents. Some 78 centi-millionaires and 12 billionaires left the country last year.

The figures were compiled by New World Wealth, the global analytics firm, and investment migration advisors Henley & Partners, which looked at high net-worth individuals with liquid assets of more than $1 million (£821,500). They show that the exodus accelerated after the general election was called. Since that moment one dollar-millionaire has left Britain every 45 minutes.

In 2023, HM Revenue & Customs said there were 74,000 non-doms in the UK, and 37,800 of them who have lived in the UK for at least seven years paid a £30,000 annual fee to keep their offshore income and gains sheltered from the taxman.

However, from April, Labour will abolish this centuries-old regime, replacing it with a much less generous residence-based system that will also subject current non-doms' overseas assets to UK inheritance tax (IHT) for the first time.

A survey of more than 700 non-doms or their tax advisers by Oxford Economics found that nearly two thirds are planning to leave the UK or considering doing so because of the changes. Most said the principal motivation was the introduction of IHT on their world-wide assets, while many other jurisdictions do not levy the tax at all or having more generous reliefs.

The Office for Budgetary Responsibility (OBR) estimates that between 12% and 25% of non-doms will go. If a quarter do leave it could have a significant impact on the economy but also indirectly tax revenues and philanthropy.

The survey found that each non-dom paid an average of £800,000 of VAT in the last tax year, and £890,000 in stamp duty over the previous five years. They have also invested an average of £118 million in the UK since arriving and given an average of £5.9 million to good causes.

The Treasury predicts that Labour's plan to end the non-dom regime will raise £2.5 billion a year over the next five years. But Oxford Economics says the plans will in fact cost the exchequer nearly £1 billion a year because so many non-doms will leave — and that is before the impact of lower VAT receipts and other taxes is included.

David Hawkins, of Foreign Investors for Britain, a group representing non-doms, described the government's policy as "a monumental act of national self-harm". He said: "It appears that decisions have been made not based on the evidence but based on ideology. It's a real worry because more and more people are leaving. And it's businesses, jobs, investment, spending into the economy and tax take and philanthropy that are hit."

The group is now working with the Institute of Directors and the British Chambers of Commerce to persuade ministers of the merits of designing "an internationally competitive offer" to overseas entrepreneurs.

Growing numbers of British entrepreneurs are looking at moving abroad. Henley & Partners says it handled a record number of applications from Britons seeking alternative citizenship and overseas residency rights last year. It said demand was up 57% on 2023 and a "staggering" 580 percentage points higher than five years ago.

Stuart Wakeling, Managing Partner at Henley & Partners UK, believes there are a multitude of factors influencing entrepreneurs to leave, such as the bad weather and fears over crime, but that tax remained the biggest motivation.

"Wealthy Britons are consistently telling us that they are becoming more and more disassociated with the country of their birth," Ferrigno said. "They are realising that although a relocation brings about a significant change and upheaval to their lives, it is a change worth making. The wealthy are also becoming more and more aware that having a plan B, or additional residence or citizenship, is vital in an ever-changing world. Having all your eggs in one basket is risky and sometimes the grass can ultimately be greener elsewhere."

Other firms have also noted the trend. Rachel De Souza, a private client tax partner at the accountancy firm RSM UK, said the "tables had turned" since October, with demand for relocation advice being driven by non-doms before the budget but also by British entrepreneurs afterwards. She said: "In virtually all cases, these entrepreneurs are citing the budget announcements as the reason for seeking to move."

Charlie Mullins, the founder of Pimlico Plumbing, is one of the entrepreneurs who has already left, having recently moved to Spain. He said: "Britain is in trouble. I'm not going to blame Labour completely, the Tories also lost the plot, but Labour have made it worse. They've raised taxes, and added new employment laws like getting a contract from day one. It makes it hard to run a business."

Other high-profile business names have already left or are leaving, including Asif Aziz, the British real-estate investor, who has relocated to Abu Dhabi, and Christian Angermayer, the German technology entrepreneur who quit Britain last year for Switzerland.

Alan Howard, the British hedge fund billionaire, is also reported to be exploring a move to Geneva while Nassef Sawiris, the owner of Aston Villa, is thinking of relocating to the Middle East.

The Adam Smith Institute estimates that by 2035, the non-dom reforms will make the economy £1.3 billion smaller than it would otherwise have been, which could lead to over 23,000 job losses by 2030. Foreign Investors for Britain wants the Treasury to introduce a tiered tax regime that would charge non-doms a fixed fee depending on their wealth, starting at £200,000 a year for those with assets under £100 million, rising to £2 million a year for those with wealth above £500 million.

Oxford Economics believes this system would actually raise tax revenue for the Treasury.

Leslie Macleod Miller, the chief executive of Foreign Investors for Britain, described a tiered tax regime as a "compromise solution" that would "maintain the UK's attractiveness to international investors while ensuring fair contributions to the public purse".

"It's not too late for the government to work with us on it," he said.

In a statement, the Treasury said: "We are committed to tax reforms that are progressive and underpinned by fairness. It is right that those who can afford to, contribute their fair share to fix the foundations to provide stability and fund public services to drive growth."