

The tax avoiders are working overtime to save the domicile rule

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The Guardian carried an article yesterday in which suggested that [HM Treasury projections](#) suggested that the proposed abolition of the so-called non-domicile rule by Labour, which would deliver a policy already announced by the Tories, might raise no revenue for the Treasury.

This announcement did, in itself, reveal three deeply telling things about the Treasury and its lack of understanding of economics and the world beyond its own Westminster bubble.

Firstly, the suggestion implicit in the Treasury's observation is that taxation exists solely to raise revenue. It's very obvious that it does not. Taxation does not fund government spending, although the Treasury has not as yet understood this rather basic economic fact of life. Spending is always and has been for a very long time, funded by the creation of money by the Bank of England, which newly created money is then taken out of circulation via taxation. That is a very different process.

Secondly, given that taxation does not exist solely for the purpose of raising revenue, it does take on other functions within the delivery of government policy. In particular, it can be an instrument of social policy, and this is precisely why the abolition of the domicile rule is so important.

That rule lets those who are tax resident in the UK but who can claim to have a natural place of origin in another country avoid paying tax in the UK for extended periods on the income gains arising outside this country so long as they are not remitted here. This contrasts with the situation of a person who is domiciled in the UK, who will always be taxable on all their worldwide income and gains, irrespective of whether they are enjoyed in the UK or not.

This tax policy is, therefore, an exercise in blatant discrimination on the basis of ethnic origin that I consider would be discrimination under the terms of the Race Relations Act, except for the fact that the Act in question cannot apply to government-created policy. But for this reason alone, this change is essential. The domicile rule must be abolished,

partly to eliminate this abuse and partly to indicate that everybody in this country will be taxed on the same basis, whoever they are and wherever they come from.

Third, the suggestion made is naive because it assumes that a very large number of people who might be subject to the rule will leave the UK if it is to be withdrawn, and there is absolutely no evidence that this is the case. The rule applies to people who are resident in the UK. That means that they don't just live here. It is also highly likely that they also work here. Some will be in the City, others in tech, and some will be sportspeople. It is naive to think that they ever came here just for tax reasons. They came here because well-paid work was available, and they took it. I am not, of course, saying they could not move again. But let's be clear: if they go, I have little doubt that there will be people to fill their shoes, willing to step up and take the pay - and quite probably perform better than expected when given the chance to do so. They will also pay all their tax.

So, is it really likely that ending the domicile rule is a real issue? I seriously doubt it. If our economy is built on such fragile foundations that pensioners must be punished whilst wealthy tax avoiders can be incentivised, there is something profoundly wrong with it, and it needs reform in any case.

But what I do know is that the non-doms have a very big lobby shouting for them, which is all the lawyers and accountants who charge them a fortune to manage their tax affairs. I think it is these so-called professional advisers who are the problem, not the non-dome people themselves, who will just see it as a bonus they don't really understand in most cases, because very few wealthy people really understand their tax bills, based on my own professional experience with them.

That professional lobby has also [got an article in the FT](#) this morning. It must be working overtime. They must also be worried. The source of their well-being is at risk, and that is what all this noise is about. The non-doms won't leave, but some well-off lawyers and accountants living off the back of them will have to find something else to do so. Oh dear; they might have to become useful members of society.