Who pays for the passport: a contribution from Britain's wealthiest non-residents

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Who pays for the passport: a contribution from Britain's wealthiest non-residents

The passport is an insurance policy that follows its holder around the world. The wealthiest people carrying it can stop paying the premium.

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> THE ASK
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> That HM Treasury consult on a wealthy non-resident citizen regime: a citizenship-linked charge and a Right of Return and Protection Levy above £250,000 income or £2 million assets, with full foreign tax credits.

British citizenship works abroad as an insurance policy. It guarantees a country that must take the holder back, a consular service that answers in a crisis and the protection of a state able to project military force into the region where the holder lives. The premium is collected through the tax system, which means it is collected from residents. A citizen who moves to a jurisdiction that levies no personal income tax keeps the full cover and stops paying, and the wealthier the citizen, the easier that move is to make.

The United Kingdom taxes primarily on the basis of residence, and for the overwhelming majority of people that is the right basis. Modern mobility has made it straightforward for a small number of wealthy individuals to move themselves, their income and their assets to low-tax jurisdictions while keeping the strategic advantages of citizenship. Britain remains their guaranteed place of return and their source of consular, diplomatic and security protection overseas, and may receive little or no ongoing contribution from them once they relocate. The state bears the citizenship-related costs regardless, so citizenship starts to look like a one-sided entitlement rather than a reciprocal bond. What follows is a proposal to restore the reciprocity, tightly targeted at the few with the greatest means, leaving everyone else exactly where they are.

What the 2026 Gulf crisis showed

The war that began at the end of Feb 2026 demonstrated that the protections attached to British citizenship are real, expensive and delivered at scale. The Foreign Secretary said the safety of British nationals in the region was the government's top priority and that the conflict had affected hundreds of thousands of people.[1] Roughly 300,000 British citizens were in Gulf countries, around 240,000 of them in the United Arab Emirates.[2] Within a week of the outbreak, 138,000 had registered their presence with the Foreign, Commonwealth and Development Office (FCDO). Chartered flights ran via Muscat alongside commercial departures, and tens of thousands of British nationals have since left the region.[3]

The protection was not only consular. UK aircraft operated from bases in Qatar and Cyprus intercepting drone attacks, HMS Dragon and counter-drone helicopters deployed to Cyprus, and an Iranian drone struck the runway at the Royal Air Force base at Akrotiri in Mar 2026.[4] As of Aug 2026 the conflict continues, a ceasefire agreed at Islamabad having collapsed, and British forces remain committed to regional defence from which British citizens in the region benefit directly.[5] The state's obligations to its citizens beyond its borders are growing with conflict and instability.

The crisis establishes three things. First, British nationals abroad may require substantial state support at short notice, in emergency registration and communications at scale, travel coordination, chartered departures and military cover for the region they are leaving. Second, the expectation is universal, because citizens of every means called on it and the state answered without means-testing the help. Third, the answer rests on a global consular network, diplomatic weight and military reach. That standing capability is funded by resident taxpayers, including many who will never use it, while some of the citizens best able to contribute to it contribute nothing.

The Gulf is the sharpest available test case. It is where the protective machinery was used hardest, and it is also where a large British population lives in jurisdictions that levy no personal income tax. That is the exact overlap between the cost of protection and the absence of contribution at issue here. Lower-cost consular episodes elsewhere, of the kind that recur every summer, show the breadth of the obligation but not its weight, and they mostly serve UK residents who already fund it through domestic tax.

AREA	THE DESIGN
Scope	British citizens abroad with income above £250,000 or assets above £2 million.
Mechanism	A citizenship-linked charge and an annual Right of Return and Protection Levy.
Fairness	Full foreign tax credits; ordinary expats exempt through a short declaration.
Enforcement	Declaration at passport renewal, backed by bilateral data-sharing.
Exit	Renunciation permitted, with an exit tax on large unrealised gains.

Who it catches

The regime is aimed at British citizens abroad with annual global income above £250,000 or net global assets above £2 million. A £2 million net asset threshold captures genuinely affluent people who can structure their affairs internationally without drawing ordinary households into scope. It is far above typical household wealth in Great Britain. The Office for National Statistics (ONS) reported median household wealth of £293,700 in Apr 2020 to Mar 2022, while the wealthiest 10% of households had £1,200,500 or more.[6] Two caveats attach to that benchmark. The figures are per household while the proposed threshold is per individual, so the effective bar for a couple is £4 million of joint assets, comfortably inside the top few percent, and the ONS survey behind them had its accredited-statistics status suspended in Jun 2025, so the figures should be treated as indicative.

Threshold design must also respect composition. A long-held London home or an illiquid pension can carry someone past £2 million on paper who has neither liquid means nor high income. The regime therefore needs relief or deferral for illiquid wealth, and the £250,000 income test operates as an alternative gate precisely so that asset-rich, income-modest citizens are not the target. The purpose of the thresholds is to isolate wealth structured for tax advantage, not affluence accumulated by staying still.

The protection system's cost scales with headcount, not wealth. Most of the British nationals who left the Gulf in 2026 were employees and families of ordinary means, not tax exiles, and that is exactly why this is a levy on the wealthy few rather than a tax on the expatriate many. The standing capability is one every citizen abroad draws on at need, and the question is who should share its standing cost. The answer proposed here is the group with the greatest means and, today, the smallest ongoing contribution. The teachers, nurses and engineers whose departure taxes would raise little are exempted, through a declaration route that takes minutes.

The proposal

The regime applies to British citizens living abroad above either threshold, and has two instruments. A limited citizenship-linked tax charge establishes a UK liability against which tax already paid overseas is credited in full, so the charge bites only on low-tax arbitrage and leaves ordinary migration and international work untouched. Qualifying citizens resident in low- or no-tax jurisdictions also pay a simple annual Right of Return and Protection Levy, reflecting the value of the automatic right to return, citizenship-linked access, FCDO crisis support and the wider security umbrella created by British diplomacy and military deployments.

Enforcement is anchored in the passport. The Common Reporting Standard exchanges financial data by tax residence, not citizenship, so it would not automatically surface the offshore affairs of non-resident citizens. Compliance therefore rests on a declaration requirement at passport issue and renewal, carrying the same criminal penalties for material falsehood that tax returns do, backed by bilateral data-sharing agreements with the principal destination jurisdictions and by HM Revenue and Customs' existing offshore-disclosure powers. A voluntary system would not hold with this population, which has every incentive to under-report.

Citizens who do not wish to carry these obligations can renounce citizenship, losing the automatic rights and paying an exit tax on large unrealised gains above a set threshold. Renunciation counts as a legitimate exit rather than a loophole, with the exit tax settling the account. Bright-line thresholds and a short declaration route keep ordinary expats out of scope without importing complexity into the lives of people of normal means.

What the US precedent teaches

The United States is the only major economy that taxes on the basis of citizenship, and its record is the best evidence available. Three lessons stand out. First, the regime is administrable. The US has run worldwide taxation of citizens for over a century and built the data infrastructure that makes it enforceable, in the Foreign Account Tax Compliance Act (FATCA), which obliges foreign financial institutions to report on US-citizen account holders.[7] Second, the compliance burden of a universal regime falls heaviest on exactly the people a well-designed regime would exempt. Ordinary emigrants and "accidental Americans" with no meaningful US connection routinely face filing costs that exceed the tax they owe. Third, the behavioural response is real, because US citizenship renunciations surged to record levels in the FATCA era, and treaty design matters, because the US relies on a saving clause in its tax treaties to preserve its right to tax its citizens notwithstanding treaty residence rules.

This proposal differs from the US model on each point, by design. It is targeted. The thresholds exclude the ordinary-expat population that bears the worst of the US compliance burden. It prices the levy against the benefits retained, asserting no general worldwide taxing right. Renunciation is an exit the design respects, with the account settled on the way out. The US precedent establishes that treaty engineering and data infrastructure have to come first.

Objections

"The UK has examined citizenship-based taxation and should reject it." A Jul 2026 Tax Policy Associates paper argues exactly that, against the universal model.[8] Its critique is largely right about that model. A universal regime would reproduce the US compliance burden on people who owe little or nothing, and this paper does not propose one. The narrow instrument argued for here — high thresholds, full credits and a levy priced against retained benefits — is the design the critique leaves standing.

"Treaty partners will not relieve it." That is correct as things stand, and the sequencing allows for it. Treaty partners are under no independent obligation to relieve a citizenship-based charge, so a UK saving clause would need to be negotiated into revised treaties before the charge takes effect. The US has maintained such clauses for decades, so the ask of treaty partners is one the treaty system already knows how to grant.

"It cannot be enforced against offshore wealth." It cannot be enforced by goodwill, which is why the design does not rely on any. The declaration sits at passport renewal with criminal penalties for material falsehood, bilateral data-sharing covers the principal destinations, and HM Revenue and Customs' offshore-disclosure powers do the rest. The passport is renewed periodically by every citizen who wants to keep it, and that renewal is the enforcement moment.

"It will catch the asset-rich and income-modest." The design answers this three ways. Thresholds stay high and indexed, illiquid wealth attracts relief or deferral so the levy never forces the sale of a home or a pension, and the income and asset tests operate as alternative gates so that neither alone drags in someone the regime is not aimed at.

"People will renounce their citizenship." Some will, and the design treats that as the system working. Renunciation rates should be modelled on the US experience, with the exit tax calibrated so that leaving remains a genuine choice while still settling accrued gains. A citizen who gives up the right of return and the protection umbrella, and settles the account on departure, has ended the asymmetry. What the state should not go on providing is the cover without the premium.

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CHANGE HISTORY

Rev. B, 25 Aug 2026. Restructured as a continuous essay, with sources given as footnotes at the point of claim and the design summarised in a table. Substance unchanged.