



## FACTSHEET

### UK Property Investment and Tax — a guide for non UK Residents

If you are looking to buy property, whether as your home or as a long-term investment, the UK property market offers some attractive acquisitions.

But for prospective purchasers who are non UK resident for tax purposes, there are a number of things to consider, not least of which is UK tax legislation.

As such, these may have an impact on your decision as to whether to buy the property personally or whether to purchase through a Special Purpose Vehicle (SPV). Examples of SPVs might be a UK based limited company or trust structure, or an offshore based limited company or trust structure.

#### ***Domicile and Residence***

Determining your country of domicile for tax purposes is relatively straight forward. Determining whether you are UK resident for tax purposes or not, however, can be quite complicated. H M Revenue & Customs has published 105 pages of useful information on the subject and full details can be found on their website!!!

Why is this important? Because if you are not UK resident for tax purposes, it is possible to structure your tax affairs in a more beneficial way.

#### ***Property investment and tax***

For non UK Resident investors, the main UK tax considerations are:

- Stamp Duty Land Tax (SDLT) on the purchase price
- Income tax on rental income
- Capital gains tax (CGT) on sale of a property, and
- Inheritance tax (IHT) on a lifetime gift of property and on death

### **Stamp Duty Land Tax (SDLT)**

SDLT is levied on the purchase of all UK properties. Current rates for buy to let residential property are:

<b>Value up to £125,000</b>	<b>3%</b>
<b>£125,001 to £250,000</b>	<b>5%</b>
<b>£250,001 to £925,000</b>	<b>8%</b>
<b>£925,001 to £1.5 million</b>	<b>13%</b>
<b>Over £1.5 million</b>	<b>15%</b>
<b>&gt;£500,000 for certain non-natural persons</b>	<b>15% *</b>

### **Income tax**

UK income tax in the year ending 5 April 2018 (subject to a personal allowance of £11,500 if total income is no more than £123,000)

<b>&lt; £33,500</b>	<b>20% then</b>
<b>&lt;£150,000</b>	<b>40% then</b>
<b>&gt;£150,000</b>	<b>45%</b>

There are different rates for dividends paid by SPV's.

As a non-resident landlord, unless you have had authority from H M Revenue & Customs to receive your rental income without deduction, a withholding tax of 20% will be retained from your net rental income before you receive it. This responsibility is invariably undertaken by your UK estate agent or the tenant directly.

For a company, net rental income is subject to corporation tax at a rate currently of 19%. Limited companies do not have a personal allowance.

A non UK resident investor will also have obligations to fulfil in their country of tax residence. You should seek professional tax advice both in the UK and your country of residence and/or domicile to ensure that you fully declare your income and comply with all your taxation obligations.

### **Capital Gains Tax (CGT)**

H M Revenue & Customs legislated with effect from 6 April 2015 to close a previous loophole whereby non UK resident individuals were not subject to CGT on the sale of residential properties. This law has now been changed, meaning that in most cases, CGT will be charged on the disposal of the property, should any profit on sale arise.

The position is different if you sell shares in a limited company, so the choice of ownership decision is crucial.

In addition, there are some anti-avoidance provisions that also need to be considered.

## ***Inheritance Tax (IHT)***

If your property is held in your own name, in the event of your death, it will be subject to UK IHT regardless of your domicile or residence. Exemptions may apply, for example if your property is passed to your surviving spouse under the terms of your will or under the inheritance laws of your country of domicile.

Provisions can be made to cover the IHT liability with insurance or by purchasing your investment property through a more tax efficient structure. The IHT advantages of such structures are however currently subject to review and may not be available in the future. You may also want to consider the current terms of your Will and may need to take both tax and legal advice in the UK and your country of domicile to avoid international probate problems and delays in obtaining control of the property by the heirs. IHT rates can be as high as 40%.

### ***For more information***

If you own, or are considering purchasing, property in the UK and you are not currently UK resident, it is vital that you are aware of the tax laws and how they apply to you. This is a complex area and whether you are seeking access to income or capital growth will have a major impact on the decision as to how you own your property.

Contact us today to discuss your individual circumstances:

Switchboard	<a href="mailto:business@btmrlimited.co.uk">business@btmrlimited.co.uk</a>	0161 300 3458
Robert Jackson	<a href="mailto:robert@btmrlimited.co.uk">robert@btmrlimited.co.uk</a>	0161 300 3450
Susan Haworth	<a href="mailto:susan@btmrlimited.co.uk">susan@btmrlimited.co.uk</a>	0161 300 3452
Kath Johns	<a href="mailto:kath@btmrlimited.co.uk">kath@btmrlimited.co.uk</a>	0161 300 3449
Or visit	<a href="http://www.btmrlimited.co.uk">www.btmrlimited.co.uk</a>	

These notes are for guidance only and appropriate specialist advice should be obtained before acting on any information contained therein. No responsibility can be accepted by BTMR Limited for any loss occasioned to any person or persons, business or other organisation as a result of action taken, or refrained from, in consequence of the contents of this document. BTMR Limited is registered to carry out audit work and regulated for a range of business activities by the Institute of Chartered Accountants in England & Wales.