



# UK Residential Property Tax Summary for overseas investors

2021/22

For detailed information you should review HW Fisher's guide to UK Residential Property and seek advice from your expert HW Fisher contact.

- **Stamp Duty Land Tax (SDLT)** is payable on the purchase price of the property. The amount of SDLT payable depends on the value of the property acquired. There are tax reliefs available for multiple purchases and first-time buyers purchasing their main residence.

Non-UK residents will be liable to an SDLT surcharge at a rate of 2% from 1 April 2021. Where contracts are exchanged before 11 March 2020 but completed or substantially performed after 1 April 2021, transitional rules may apply subject to conditions.

The UK Government introduced the temporarily reduced rates for SDLT for the purchase of residential property in the UK between 8 July 2020 and 30 June 2021. The SDLT 0% band has been increased from £125,000 to £500,000.

From 1 July 2021 to 30 September 2021, the SDLT 0% band will be reduced from £500,000 to £250,000.

The 0% band will revert back to £125,000 from 1 October 2021.

- **Income Tax** is payable on all net rental profit arising in the UK by individuals and Trustees. It is possible to offset a variety of allowable expenses including financing costs (subject to restriction), maintenance and repairs and certain professional fees.
- **Capital Gains Tax** is payable by all individual investors on direct and indirect disposals of UK residential property. For direct disposals it is paid on the gains in excess of the cost or the market value as at 6 April 2015 (if property purchased prior to then). On indirect disposals the rebasing date is 6 April 2019.
- **Corporation Tax** is payable from 6 April 2020 by all non-UK resident companies on their income and capital gains at a rate of 19% currently. Companies must submit full accounts and tax computation with their company tax return.

The current corporation tax rate is set to rise from 19% to 25% in April 2023. This will affect all companies owning UK commercial and residential property, subject to their level of profits as set out below.

The 19% corporation tax rate is retained for those companies with small profits under £50,000. The tax rate for profits between £50,000 and £250,000 will be taxed at a tapered rate between 19% and 25%.

The rate for profits above £250,000 will be taxed at 25% from 1 April 2023.

There are specific anti-avoidance provisions preventing the use of multiple companies to own or partly own properties for the purposes of qualifying for the small company rate. Companies under common ownership are aggregated together in testing the amount of profits assessable.

- Where a UK residential property is purchased for more than £500,000 by a corporate entity for a director/shareholder's own use (or that of a family member), it will fall within the **Annual Tax on Enveloped Dwellings (ATED)** provisions. Those properties are liable for both higher flat rate SDLT on purchase and annual charges (see overleaf).
- **Inheritance Tax** applies to all directly and indirectly held interests in UK residential property, including certain loans advanced to acquire UK residential property. This also applies to structures involving offshore companies and trusts.

TAXES INVOLVED FOR PROPERTY OWNER	NON-UK INDIVIDUAL	NON-UK COMPANY
<b>Income Tax</b>		
Deductions available for:		
Loan Interest	Yes <sup>1</sup>	Yes
Property running costs	Yes	Yes
Repairs/replacements	Yes	Yes
UK personal allowances available (2021/22: £12,570)	Potentially <sup>2</sup>	No
<b>2021/22 tax rates on rental profits</b>		
Up to £37,700	20%	
£37,701 - £150,000	40%	19%
Over £150,000	45%	
<b>Inheritance Tax</b>		
Exposure on UK Residential Property Asset	Yes	Yes
Nil rate band (tax free amount)	£325,000	£325,000
Balance taxable - rate	40%	40%
<b>Capital Gains Tax</b>		
Tax Free Annual Exemption (2021/22: £12,300)	Yes	No
Rates involved	18%/28%	19%



PURCHASE PRICE BAND	TEMPORARY RATE	+3% ADDITIONAL	+ 2% NON-RESIDENT RATE	+3% ADDITIONAL
	FROM 1 APRIL 2021 TO 30 JUNE 2021	PROPERTY RATE OR BY A COMPANY		PROPERTY RATE +2% NON-RESIDENT RATE
Up to £500,000	0%	3%	2%	5%
Above £500,000 and up to £925,000	5%	8%	7%	10%
Above £925,000 and up to £1,500,000	10%	13%	12%	15%
Above £1,500,000	12%	15%	14%	17%

NB: Properties caught by ATED pay a 15% flat rate on the purchase price.

NB: The 2% Non-Resident Rate does not apply to contract exchanged prior to 11 March 2020.

PURCHASE PRICE BAND	TEMPORARY RATE	+3% ADDITIONAL	+ 2% NON-RESIDENT RATE	+3% ADDITIONAL
	FROM 1 JULY 2021 TO 30 SEPTEMBER 2021	PROPERTY RATE OR BY A COMPANY		PROPERTY RATE +2% NON-RESIDENT RATE
Up to £250,000	0%	3%	2%	5%
Above £250,000 and up to £925,000	5%	8%	7%	10%
Above £925,000 and up to £1,500,000	10%	13%	12%	15%
Above £1,500,000	12%	15%	14%	17%

PURCHASE PRICE BAND	FROM 1 OCTOBER ONWARDS	+3% ADDITIONAL	+ 2% NON-RESIDENT RATE	+3% ADDITIONAL
		PROPERTY RATE OR BY A COMPANY		PROPERTY RATE +2% NON-RESIDENT RATE
Up to £125,000	0%	3%	2%	5%
Above £125,000 and up to £250,000	2%	5%	4%	7%
Above £250,000 and up to £925,000	5%	8%	7%	10%
Above £925,000 and up to £1,500,000	10%	13%	12%	15%
Above £1,500,000	12%	15%	14%	17%

ATED ANNUAL BANDINGS: PROPERTY VALUE <sup>3</sup>	ANNUAL TAX CHARGE PAYABLE (2021/22)
£500,000 - £1,000,000	£3,700
£1,000,000 - £2,000,000	£7,500
£2,000,000 - £5,000,000	£25,300
£5,000,000 - £10,000,000	£59,100
£10,000,000 - £20,000,000	£118,600
£20,000,000 +	£237,400

1. Restricted from 6 April 2020 to only 20% tax relief for finance costs

2. Personal allowances are available to all EEA Nationals, British Citizens, and those individuals who are residents and nationals of countries with whom the UK has a relevant Double Tax Agreement, including South Africa, Malaysia and Thailand.

HK or Chinese passport holders do not qualify for a tax-free personal allowance unless they satisfy one of the other criteria above.

3. Taken at 1/4/2017 or the purchase price, if acquired later. The valuation is then refreshed every 5 years.

## CONTACT

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