



HWFisher

UK Residential Property

Tax Summary for overseas investors

2023/24

www.hwfisher.co.uk

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 consideration paid to acquire the property. The amount of SDLT payable depends on the value of the property acquired. Tax relief is available for multiple purchases and First-Time Buyers purchasing their main residence.

Non-UK residents are liable to an SDLT surcharge at a rate of 2%, except where contracts were exchanged before 11 March 2020 and are completed or substantially performed after 1 April 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. An annual tax return must be submitted through Self-Assessment by 31 January of the relevant tax year (or 31 October if tax return is filed in paper form).
- **Capital Gains Tax** is reportable and payable by all individual investors on direct and indirect disposals of UK residential property within 60 days of completion. For non-UK residents, if they dispose of a UK property, the capital gains tax is paid on the gains in excess of the cost or the market value as at 5 April 2015 (if property purchased prior to then). On indirect disposals (such as the sale of shares in a company that owns a UK residential property) the rebasing date is 5 April 2019.
- **Corporation Tax** is payable by UK resident companies with profits under £50,000 at a rate of 19%. Companies with profits greater than £250,000 pay the increased CT rate of 25%. For UK resident companies there are marginal rates between 19-25% for companies with profits between £50,000-250,000. All non-UK resident companies pay corporation tax at 25%.
- 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.
- **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.
- **'The Register of Overseas Entities'** requires overseas entities that own UK residential properties to identify their beneficial owners, (i.e. those individuals holding 25% or more of the shares or voting rights) and to register them with Companies House via an appropriately registered agent. Such entities will be required to update their information annually.

We can assist with this new requirement.

TAXES INVOLVED FOR PROPERTY OWNER	NON-UK INDIVIDUAL	NON-UK COMPANY
Income Tax		
Deductions available for:		
Loan Interest	Yes – 20% relief	Yes
Property Running Costs	Yes	Yes
Repairs/Replacements	Yes	Yes
UK Personal Allowances Available (2023/24: £12,570)	Yes – potentially	No
2023/24 Tax Rates on Rental Profits		
Up to £37,700	20%	
£37,701 - £125,140	40%	19% ²
Over £125,140 ¹	45%	
Inheritance Tax		
Exposure on UK Residential Property Asset	Yes	Yes
Nil Rate Band (Tax Free Amount)	£325,000	£325,000
Balance taxable rate	40%	40%
Capital Gains Tax		
Tax Free Annual Exemption (2023/24: £6,000 ³)	Yes	No
Rates Involved	18%/28%	19% ²

¹ The 45% additional rate will apply to all profits over £125,140 from April 2023

² The corporation tax rate will increase to 25% from April 2023 where proceeds exceed £250,000 in the accounting period

³ From April 2023, the capital gains tax-free allowance will be reduced to £6,000

PURCHASE PRICE BAND	CURRENT RATE	+3% ADDITIONAL PROPERTY RATE OR BY A COMPANY	+ 2% NON-RESIDENT SURCHARGE	+3% ADDITIONAL PROPERTY RATE
				+2% NON-RESIDENT SURCHARGE
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%

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

ATED ANNUAL BANDINGS: PROPERTY VALUE	ANNUAL TAX CHARGE PAYABLE (2023/24)
£500,000 - £1 million	£4,150
£1 million - £2 million	£8,450
£2 million - £5 million	£28,650
£5 million - £10 million	£67,050
£10 million - £20 million	£134,550
More than £20 million	£269,450

CONTACT

Jamie Morrison

Partner - Head of Tax

T +44 (0)20 7874 7983

E jmorrison@hwfisher.co.uk

Richard Watson

Senior Manager

T +44 (0)20 3827 4003

E rwatson@hwfisher.co.uk