

UK RESIDENTIAL PROPERTY

TAX SUMMARY FOR OVERSEAS INVESTORS

2019/20



THERE ARE MANY REASONS WHY INVESTORS FROM ABROAD FIND THE UK PROPERTY MARKET SO ATTRACTIVE, BUT ONE OF THE KEY CONCERNS FOR ALL INVESTORS IS MITIGATING THE EXPOSURE TO UK TAXATION.

The following is a very short overview of the UK position, with a tax table shown overleaf.

For detailed information you should review HW Fisher's guide to UK Residential Property: Tax Guide for Overseas Investors and seek advice from your expert HW Fisher contact.

UK tax law affecting overseas owners of UK residential property has undergone rapid and significant change in recent years and it is important that new investors seek expert advice on their exposure to UK taxes. Those existing owners of UK residential property will want to review their existing ownership structures to ensure they remain compliant with the new rules and are maximising the tax reliefs available.

When considering the relevant taxes that apply to a non-UK resident investor who is purchasing UK residential property, the following taxes are of relevance:

- **Stamp Duty Land Tax (SDLT)** is payable on the purchase price of the property. The amount of SDLT depends on the value of the property being purchased. Tax relief can be available where more than one property is purchased in a single transaction. There is also a relief for first-time buyers purchasing their first property for less than £500,000 and which will be used as their main residence.
- **Income tax** is payable on all net rental profit arising in the UK. It is possible to offset a variety of allowable expenses including financing costs (subject to a restriction from April 2017 for higher and additional-rate taxpayers), maintenance and repairs, and certain professional fees against the gross income. Non-UK companies will be brought within the scope of UK corporation tax, rather than income tax, from 6 April 2020.
- Where a UK residential property is purchased for more than £500,000 by a corporate entity for an individual's own use, it will fall within the **Annual Tax on Enveloped Dwellings (ATED)** provisions. Those properties are liable for higher flat rate of SDLT and annual charges (see overleaf). The tax rate for disposals on or after 6 April 2019 is due to be aligned with the corporation tax rate of 19%.
- **Capital Gains Tax** is payable by all investors on disposals of UK residential property. If not caught by the ATED provisions (see above), Capital Gains Tax is paid on the excess value received over and above its cost or the market value as at 6 April 2015.
- From April 2017, **Inheritance Tax** applies to all directly and indirectly held interests in UK residential property, including certain loans made to acquire UK residential property. This also applies to structures involving offshore companies and trusts and those trusts are now subject to the UK trust reporting and taxation regime.

TAXES INVOLVED FOR PROPERTY OWNER	NON-UK INDIVIDUAL	NON-UK COMPANY	UK-RES INDIVIDUAL	UK-RES COMPANY
Income Tax				
Deductions available for:				
Loan Interest	Yes ¹	Yes	Yes ¹	Yes
Property running costs	Yes	Yes	Yes	Yes
Repairs/replacements	Yes	Yes	Yes	Yes
UK personal allowances available (2019/20: £12,500)	Potentially ²	No	Yes	No
2019/20 tax rates on rental profits				
Up to £37,500	20%		20%	
£37,501 – £150,000	40%	20%	40%	19% ³
Over £150,000	45%		45%	
Inheritance Tax				
Exposure on UK Residential Property Asset	Yes	Yes ⁶	Yes	Yes
Nil rate band	£325,000	£325,000	£325,000	£325,000
Balance taxable – rate	40%	40% ⁶	40%	40%
Capital Gains Tax				
Tax Free Annual Exemption	Yes	No	Yes	No
Rates involved	18%/28%	19%	18%/28%	19%

STAMP DUTY LAND TAX	1 ST ACQUISITION OF RESIDENTIAL ⁷ PROPERTY WORLDWIDE	ACQUISITION OF SUBSEQUENT PROPERTY OR BY A COMPANY
£0 – £125,000	0%	3% ⁴
£125,000 – £250,000	2%	5%
£250,000 – £925,000	5%	8%
£925,000 – £1,500,000	10%	13%
£1,500,000+	12%	15%

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

ATED ANNUAL BANDINGS: PROPERTY VALUE ⁵	ANNUAL TAX CHARGE PAYABLE (2019/20)
£500,000 – £1,000,000	£3,650
£1,000,000 – £2,000,000	£7,400
£2,000,000 – £5,000,000	£24,800
£5,000,000 – £10,000,000	£57,900
£10,000,000 – £20,000,000	£116,110
£20,000,000 +	£232,350

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¹ Subject to restriction from April 2017 onwards for higher and additional-rate taxpayers and trusts.

² Personal allowances are available to all EEA Nationals, British Citizens, and those individuals who are residents and nationals of Malaysia and Thailand. No Personal Allowances are available to Citizens of China, Hong Kong or Singapore, unless they hold British (or other EEA) Citizenship. Nationals of other countries should check their own position as they may qualify under the relevant Double Tax Agreement with the UK.

³ The UK Corporation Tax rate is due to drop to 17% after April 2020.

⁴ The rate of SDLT remains 0% if the value of the consideration is less than £40,000

⁵ Taken at 1/4/2012 or the purchase price, if acquired later. The valuation is then refreshed every 5 years.

⁶ As a result of changes introduced in Finance (No.2) Act 2017, although Inheritance Tax is payable by the shareholders of the company.

⁷ A first-time buyers relief is available for those purchasing their first property for less than £500,000 and which will be used as their main residence.