



UK Residential Property

Tax Guide for overseas investors

May 2017



**HW Fisher
& Company**

CHARTERED ACCOUNTANTS

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HW Fisher & Company tries to ensure that the information in this guide is accurate and helpful, however, it cannot ultimately warrant the accuracy of any information contained in this guide.

This guide is to represent information based on UK tax legislation and HM Revenue & Customs' practice as at February 2017. Any subsequent changes in UK tax law or HMRC practice may render part or all of this guide obsolete.

Please note that the comments included herein should not be construed as legal, financial or taxation advice upon which you can rely and are provided for information only.

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HW Fisher & Company

HW Fisher & Company is a commercially astute firm of Chartered Accountants with roots firmly in the entrepreneurial sector. We are fully aware of the competitive environment in which entrepreneurial individuals and companies operate, and have a thorough understanding of the challenges and opportunities they face.

- ▶ HW Fisher & Company is a mid-tier top 25 UK firm of chartered accountants.
- ▶ We advise large corporates, high-net worth individuals and SMEs.
- ▶ Our clients are active in all areas of commerce and industry.
- ▶ We have 30 partners and approximately 300 staff with 2 UK offices in London and Watford.
- ▶ We are a member of LEA Global, an international alliance of major independently owned accounting and consulting firms, allowing us to meet your needs both domestically and overseas.
- ▶ We have a dedicated overseas landlords team, who assist clients with their UK tax reporting obligations.

Our reputation is grounded in quality and consistency, and delivering premium advisory services quickly and cost effectively. Key to our success is our accessibility, our open communication with clients and our personal, yet professional, partner-led service.

We assist over 800 overseas investors to structure their UK property investments and as UK tax experts, we can advise you how to mitigate your exposure to UK income and capital taxes.

There is always peace of mind to be gained in knowing that your advisers are well-versed with the requirements of the sector in which you invest.

As a firm, we believe in close, two-way contact, and the development of long-term relationships. We encourage our clients to contact us as often as necessary to discuss any matters where our advice could be helpful. We maintain regular contact so that we are aware of any material or technical issues and keep up-to-date with your activities.



Our team

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Jamie is a partner in the Private Client Team advising high-net worth individuals, entrepreneurs and family offices. He advises UK and overseas clients with domicile/residence issues, transactional issues, as well as assisting them with property structuring and capital taxes planning.

He travels to the Middle East and Far East to look after clients who seek to invest into the UK and advises on property and business structuring. He also advises a number of clients in the sports and media sectors as well as senior executives of FTSE/NYSE listed companies.

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Alan Lester

Alan has a significant portfolio of audit clients across a wide range of industry sectors.

He controls the specialist department dedicated to the affairs of overseas investors in UK residential property. The firm's activities in this sphere are substantial, and Alan is largely involved with clients in China and South East Asia, whom he regularly visits face to face, and also assisting those businesses that wish to establish themselves in the UK or raise capital on the UK markets.

Alan is also on the firm's training committee, as well as being the firm's compliance partner responsible for adherence to the regulations (established by the Institute of Chartered Accountants in England and Wales) concerning the audit and investment business, together with all other compliance issues. He is also a member of the Hong Kong Accountancy Institute.

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Richard Watson

Richard Watson graduated from Royal Holloway and Bedford New College in 1985 with a degree in Music. He subsequently trained as a Chartered Accountant, qualifying in 1988 before joining HW Fisher & Company in 1989.

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Tax guide



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Tax on rental profits

Scope of charge

Income Tax is charged upon UK rental income arising for individuals, non-UK resident companies and trustees irrespective of their residence and domicile status. UK resident companies are liable to UK corporation tax on their profits.

Income Tax is charged on rental income after deduction of relevant tax-deductible expenses (see later).

In addition, under new rules introduced with effect from April 2016, those persons who are involved in dealing or developing UK land will face a charge to income tax (or corporation tax for UK resident companies) on their profits, irrespective of the provisions of certain double tax treaties and whether they have a permanent establishment in the UK or not.

Personal allowances

For an individual, whether resident or not, there is an entitlement to personal allowances where that individual is a British citizen (but not BNO status unless also a British Citizen). The personal allowance has the effect of exempting that amount of income from tax.

The personal allowance will be £11,500 from April 2017.

In addition, the following types of individual are also entitled to UK personal allowances (a non-exhaustive list):

- ▶ EEA Nationals
- ▶ Individuals who are resident and nationals of Thailand, Malaysia and Saudi Arabia

Residents and nationals of the following countries will only qualify for UK personal allowances to the extent that they also hold full British (or other EEA) citizenship:

- ▶ China
- ▶ Hong Kong
- ▶ Singapore
- ▶ Dubai (and other UAE Citizens)
- ▶ USA

However, personal allowances are reduced by £1 for every £2 of income earned in excess of £100,000, so anyone earning rental profits in excess of £123,000 cannot benefit from a personal allowance.

Trusts and companies do not benefit from a UK personal allowance, despite being subject to Income Tax on their income.

Rates of tax

The rates of tax on net rental profits for 2017/18 will be as follows:

Individual	<i>Basic rate</i>	£0 – £33,500	20%
	<i>Higher rate</i>	£33,500 – £150,000	40%
	<i>Additional rate</i>	Over £150,000	45%
Trust	If a UK residential property is owned directly by a Trust, there is a basic rate of £1,000 of income that is taxed at 20% and then a flat rate of 45% applies against the remaining income.		
Company	Non-UK resident companies pay a flat rate of 20% income tax on rental profits.		

From 1 April 2017, UK resident companies pay a flat rate of 19% corporation tax on rental profits. This rate will decrease to 17% with effect from 1 April 2020. The UK Government is set to consult on whether non-UK companies are set to be brought into the UK corporation tax regime, rather than paying the basic rate of income tax on rental profits.

Reporting

Individual & non-UK resident companies

Individuals and non-UK resident companies currently report their net rental profits on Self-Assessment Tax Returns that are due for submission to HM Revenue & Customs by 31 January following the end of UK tax year. A UK tax year runs from 6 April to the following 5 April.

Any income tax payable by non-UK resident individuals and companies is due for payment by the tax return filing date.

In addition, such taxpayers are usually required to make payments on account of next year's tax liability in two equal instalments in advance. The payments are due by 31 January during the tax year and 31 July following the end of the relevant tax year. Each instalment is equal to 50% of the previous year's liability.

UK Companies

UK companies report their profits on Corporation Tax Returns which are due for submission within 12 months from the end of the accounting period. Under the HMRC Consultation, non-UK companies may well be required to report under the same basis rather than reporting under income tax rules.

Corporation tax is payable either 9 months and 1 day after the end of the accounting period or, for very large companies, in four instalments starting 6 months after the beginning of the company's accounting period.



Working out the profit

In calculating the net profit, the expenses that can be offset against the gross rent include:

- i. Costs of repairs and maintenance (expenses incurred prior to first letting to put the property into good order may be allowable);
- ii. Agent's fees for managing the property;
- iii. Ground rents, service charges and other expenditure on common parts;
- iv. Insurance premiums;
- v. Legal costs of renewing a short lease or tenancy agreements;
- vi. Accountancy fees for preparing accounts and tax computations;
- vii. A 'renewals' basis applies to rental properties with effect from April 2016. There is no deduction for the initial installation of furniture but the costs of replacements can be claimed. This will include fixtures such as baths, washbasins and kitchen units.
- viii. Any unrecovered VAT on the above items.

Changes have been introduced with effect from April 2017 as to the deductibility of finance costs, such as loan interest or loan arrangement fees. These changes only affect individual landlords and Trustees. The changes do not affect companies who only currently pay the basic rate of tax on their net rental profits.

In the past, landlords have been able to claim tax relief on the total amount of the finance costs paid in a tax year at their marginal rate of tax.

From April 2017, those costs are gradually being restricted until the maximum relief available is capped at the basic rate of tax, i.e. 20%, from April 2020, as follows:

- ▶ 2017/18 – 75% of finance costs are given full tax relief, the remaining 25% of costs are given relief at 20%
- ▶ 2018/19 – 50% of finance costs are given full tax relief, the remaining 50% of costs are given relief at 20%
- ▶ 2019/20 – 25% of finance costs are given full tax relief, the remaining 75% of costs are given relief at 20%
- ▶ 2020/21 – 100% of finance costs are given tax relief at 20%.

In practical terms, these measures do not affect basic rate individual taxpayers, whose net rental profits fall within the 20% rate band (i.e. less than £33,500 of income as stated above), nor will it affect companies, who will continue to receive full tax relief for the interest paid.

To illustrate this change and how it will affect the amount of tax due by a higher (40%) taxpayer when the measures take full effect, please refer to the example below:

This example assumes an individual with no UK personal allowance who has £40,000 of gross rental income, £24,000 of expenses and £30,000 of mortgage interest payable:

	Old basis	from 6 April 2020
Rent	£40,000	£40,000
Costs	(£4,000)	(£4,000)
Interest	(£30,000)	£0
Profit	£6,000	£36,000
Tax @ 20%	£1,200	£6,700
Tax @ 40%		£1,000
Credit (£30,000 x 20%)	£0	(£6,000)
Liability	£1,200	£1,700
Rate on economic profit	20%	28.33%

In 2020/21 the economic profit is still £6,000, except that £30,000 is not deductible in calculating the profit and the tax rate increases because part of the rental profits are taxed at the higher rate of 40% rather than 20%.

Capital Gains Tax (CGT)

Non-UK resident individuals and non-UK resident companies only pay tax on gains made on a disposal of a UK residential property interest (see below). Disposals can take the form of a sale to a third person for consideration or a gift to a family member, although gifts between spouses are exempt from CGT.

A UK residential property interest includes an assignment of a contract of an off-plan residential unit.

Companies that meet the Genuine Diversity of Ownership (GDO test) are not liable to this charge. The GDO will be satisfied where a company is under the control of less than five or fewer participators - broadly shareholders and persons associated with them. This exempts entities such as property funds from a charge to UK capital gains tax.

A capital gain on a disposal of a UK residential property is ordinarily calculated by taking the disposal proceeds (decreased by any incidental costs incurred on the disposal, e.g. estate agents'/solicitors' fees) and deducting from them the cost of that property on exchange (increased by such incidental cost incurred on an acquisition – the incidental costs on acquisition would also include Stamp Duty Land Tax) and any enhancement costs (e.g. capital improvements to the property, conversions, alterations).

However, there are special rules where a UK residential property is owned by a non-UK resident person.

The new rules only require that non-resident CGT is paid on the difference between the proceeds received on a disposal and value of the property as at 1 April 2015 (unless the property is caught under the ATED rules – see below). It is also possible to elect to time-apportion any capital gain between the pre- and post-April 2015 periods, with the former exempted from tax.

In addition, individuals are entitled to an annual exemption from CGT. This is separate to the personal allowance for income tax and is not dependent on the individual's jurisdiction of nationality or residence. The annual exemption for 2017/18 is £11,300.

Trustees also benefit from 50% of the individual annual allowance – currently £5,650.

Companies (both UK and Non-UK resident) do not benefit from an annual exemption but are entitled to an indexation allowance calculated with reference to the period of ownership of the property – this allowance is essentially to allow for the effect of the inflation and it is calculated based on HM Revenue & Customs' prescribed rates. It reduces the chargeable gain to arrive at the taxable amount. No indexation is allowed in respect of any ATED-related CGT (see later).





Rates of Tax

Individuals

For non-UK resident individuals, tax will be applied at a rate of 18% to the extent that their overall income and gains falls within the basic rate band (of £33,500) and 28% thereafter.

If property is used as a private residence within the UK, a gain realised on a disposal of such a property (including land of up to half a hectare or such larger area as is required for reasonable enjoyment of the residence) is fully covered by Private Residence Relief (PRR) and, consequently, exempt from CGT.

It is also possible for a non-UK resident individual to claim PRR for a tax year provided that the property is occupied by them for at least 90 nights during that tax year. If the UK property is that individual's second home, a formal election should be submitted to HM Revenue & Customs to elect for that property to be a private residence to secure this relief in the future on parts of the gain that relate to the periods of main residence occupation.

Companies

Non-UK resident companies that they are not caught by the Annual Tax on Enveloped Dwellings rules (see below), will be liable to capital gains tax at a rate of 20%.

UK companies are taxed on the same basis, except that UK companies pay corporation tax rather than CGT. The rate of UK corporation tax is currently 19% with effect from 1 April 2017, dropping to 17% with effect from 1 April 2020.

If the Annual Tax on Enveloped Dwellings rules apply, any capital gain is taxed at an increased rate of 28%. In addition, indexation relief will not be available.

Companies cannot claim PRR, even where the property is occupied by a director or shareholder.

Trusts

Trusts are liable at a flat rate of 28% and can benefit from half of the annual exemption available to individuals (£5,650 for 2017/18).

Reporting

Any non-UK resident disposing of a UK residential property interest will need to notify HMRC within 30 days following completion of the sale.

For those non-UK residents who do not complete UK Self-Assessment tax returns, there is a requirement that the CGT is paid within the same time limit – 30 days following the completion of the sale.

Those individuals and companies who are in Self-Assessment, in addition to the 30 days reporting requirement, will report any profit made on a disposal of UK property again via their Self-Assessment tax return and the tax will be payable by 31 January following the tax year in which the disposal took place, rather than within 30 days of completion.

Inheritance Tax (IHT)

IHT is charged in the UK upon the death of an individual in respect of assets owned at the date of their death and any gifts in the preceding 7 years. IHT is charged on both individuals and Trusts as follows:

Individuals

The estate of an individual not domiciled in the UK is subject to IHT on their UK situated assets, which, from 6 April 2017, includes the following (defined as an interest in UK residential property):

The Finance Act 2017 contained proposals to widen the scope of the charge to cover indirectly held UK residential property, which included the following:

- ▶ UK situated residential property directly owned by an individual
- ▶ A share of a partnership that owns UK residential property
- ▶ Shares in an overseas company to the extent that the company owns UK residential property, unless that company satisfies the GDO requirements (broadly controlled by more than 5 persons).
- ▶ A non-bank loan provided to finance the purchase of UK residential property or collateral provided for such a loan.

These proposals were dropped last minute from the legislation in order for the Finance Act 2017 to gain Royal Assent prior to the UK General Election. The Government has confirmed its intention to legislate for such changes immediately after the General Election but there is, as yet, no confirmation as to whether the changes will be retrospective to 6 April 2017, when they were originally intended to take effect, or from some later date.

In addition, the 2017 proposals included an extension to the IHT charge for a period of 2 years, where an individual sells shares in a company that owns a UK residential property and any consideration received, even if reinvested offshore, remain within the scope of IHT. This does not apply to individuals, nor does it apply where a company sells a UK residential property and subsequently repatriates the proceeds of sale overseas.

The changes were set to affect all chargeable events which took place from 6 April 2017 and these events included the following:

- ▶ The death of an individual who owns any interest in UK residential property, as defined above, at the date of their death.
- ▶ The death of an individual who has made a gift of an interest in UK residential property within 7 years prior to their death.
- ▶ The death of an individual who owns shares in a UK company or has made a gift of such shares in the 7 years prior to their death.
- ▶ The transfer of an interest in a UK residential property or shares in a UK company to a Trust.

Shares in a UK company are UK situated assets and the entire value attributable to such shares forms part of the deceased's Estate, not just that part of the value attributable to UK residential property.

Residential properties specifically excluded from a charge to IHT are care or nursing homes, any buildings with 15 bedrooms or more which have been purpose-built for student accommodation and are occupied by students as well as prisons and military accommodation.

IHT is currently charged at 40% on the total value of the estate, less the first £325,000 (known as the 'nil rate band' or 'NRB') which is tax-free.

Gifts between spouses are usually exempt from IHT, so on first death where all assets are left to the surviving spouse, no IHT charge would arise. In addition, the unused portion of an individual's NRB can be transferred and utilised on the death of their spouse. It cannot be transferred to any other family member or to an unmarried partner.

There can be a restriction where the deceased is domiciled in the UK and makes a transfer to a non-domiciled spouse. In such a case the spousal exemption is restricted to £325,000, in addition to the NRB. In order to benefit from unlimited spousal relief, it is possible for a non-UK domiciled spouse to elect to be treated as a UK domiciled spouse for IHT purposes only.



From April 2017 an enhanced NRB is available where one of the assets in the deceased's estate is the main residence. It is unlikely that this will benefit overseas investors as the UK residential property is unlikely to satisfy the conditions to be properly regarded as the main residence.

The value of the asset taken into account when calculating the IHT due is the equity in the property – being the market value at the date of death less any outstanding mortgage. In order to obtain this loan deduction for IHT purposes, the property needs to have been bought at the outset with mortgage finance.

Under anti-avoidance rules introduced in July 2013, there is no deduction for any debt incurred after the property is purchased, so no IHT relief is normally available for the debt where a property is acquired for cash and a mortgage taken out subsequently.

One form of planning for any future IHT liabilities is by acquiring low cost life insurance policies or by gifting an interest in the property to prospective beneficiaries. However, in order for such gifts not to fall within the charge to IHT tax in the future, the donor must survive at least 7 years.

Residential property owned by Trusts

The proposed IHT changes were also set to affect those individuals who have established Trusts to acquire UK residential property. Under the proposals set to take effect from April 2017, Trusts were to face tax charges in respect of UK situated assets, based on the revised definition above.

The amount of charge was to be based on the market value of the UK situated assets owned by the Trustees, including the following:

- ▶ UK situated residential property directly owned by the Trustees
- ▶ A share of a partnership that owns UK residential property
- ▶ Shares in an overseas company to the extent that the company owns UK residential property, unless that company satisfies the GDO requirements.
- ▶ A loan provided to a company or individual to finance the purchase of UK residential property.

Again, it is envisaged that such changes, whilst currently delayed, will be legislated for immediately after the 2017 General Election.

Shares in a UK company are UK situated assets and the entire value attributable to the shares forms part of the Trust assets liable to IHT, not just that part of the value attributable to UK residential property.

An IHT charge usually arises under the following circumstances:

- ▶ On the 10 year anniversary from the creation of the Trust
- ▶ On a transfer of assets from the Trust to a beneficiary

There is unlikely to be grandfathering or exemptions for Trusts created prior to April 2017 from these new rules when the legislation is finally enacted.

In addition, under the proposals included in the previous draft legislation, there can be further IHT issues where the original settlor retains an interest in a Trust created prior to April 2017. In such a case, the value of the assets would be exposed to IHT in the settlor's own Estate and also be exposed to the IHT charges relevant to Trusts as outlined above.

Annual Tax on Enveloped Dwellings (ATED)

ATED has applied since 1 April 2013 on UK residential property owned by non-natural persons (i.e. companies but not trusts) valued in excess of £2 million.

From 1 April 2015 it was extended to UK residential property valued at in excess of £1 million, and from 1 April 2016 to UK residential property valued at in excess of £500,000.

An initial valuation on 1 April 2012 (or the date of acquisition, if after this date) for existing residential property and revaluations every five years are required. The next set of valuations required for all properties worth £2m or more that were owned at 1 April 2012 is due by 1 April 2017 and will affect those ATED returns due for filing by 1 April 2018.

Property owners liable to the tax are required to self-assess the charge due by filing an annual ATED return.

The starting point is that all residential properties owned by non-natural persons are caught under the ATED rules. However, exemptions from the charge are available by reference to use of the property, when the property is:

- i. let to a third party on a commercial basis and not, at any time, occupied by anyone connected with the owner;
- ii. open to the public for at least 28 days a year;
- iii. being developed for resale by a property developer;
- iv. owned by a property trader as the stock of the business for future resale;
- v. repossessed by a financial institution as a result of its business of lending money;
- vi. being used by a trading business to provide living accommodation to certain qualifying employees;
- vii. a farmhouse occupied by a farm worker or a former long-serving farm worker;
- viii. owned by a registered provider of social housing.

None of the reliefs are available if the property is occupied by a connected party, such as a family member, even if market rent is paid for their use or occupation.

Please note that it is necessary to file the annual ATED tax return to claim exemption, as they do not apply automatically.

The due date for filing the ATED return and paying the charge is 30 April annually. Returns and payments are made in advance. There are penalties for late filing and non-compliance.

If you buy a property during the year which is subject to ATED you are required to file the return and make payment (or claim the exemption) within 30 days of acquiring an existing property.

The deadline is extended to 90 days in respect of newly built property and it is then the earliest of the date of first occupation and the date that the property is registered for Council Tax.

The annual chargeable amounts will be as below:

Taxable value of the interest in the property on the relevant day	Annual chargeable amount (2017/ 2018)
£500,000 - £1 million	£3,500
£1 million - £2 million	£7,050
£2 million - £5 million	£23,550
£5 million - £10 million	£54,950
£10 million - £20 million	£110,100
More than £20 million	£220,350

Stamp Duty Land Tax (SDLT)

From April 2016 the UK Government introduced a Stamp Duty surcharge of 3% on purchases of additional residential properties (above £40,000), such as buy to let (investment) properties and second homes from 1 April 2016. The higher rates will be 3% above the current SDLT rates. The higher rates will not apply to purchases of caravans, mobile homes or houseboats.

Contracts that were entered into prior to 25 November 2015 will be protected from the higher rates where completion occurs after 1 April 2016, except where that contract has been assigned or substantially varied after 25 November 2015.

Variation or assignment includes any alteration to the proposed purchaser or the amount of consideration or the subject matter of the contract, including the addition of relatives or a spouse or even a company that you own. Some variations, such as the adjustment of the completion date, are too insubstantial to amount to a variation.

The 3% increase applies across all of the bands of SDLT.

The 3% applies unless the residential property that an individual purchaser acquires in the UK is their only worldwide residential property that they (or their spouse) personally own or it replaces their main residence. If a purchaser acquires a new property as their main residence and then sells their main residence within three years after the purchase of the new one, they can claim for a refund of the higher SDLT rate paid.

The 3% surcharge will always apply to a residential property purchased by a company and companies are also potentially caught by the 15% flat rate SDLT charge for certain acquisitions (see below).

The current SDLT bands are, as follows:

Purchase Price Bands	Homebuyer Percentage Rate	Additional Property Rate
Up to £125,000*	0%	3%
£125,000 - £250,000	2%	5%
£250,000 - £925,000	5%	8%
£925,000 - £1,500,000	10%	13%
Above £1,500,000	12%	15%

*Only applies to purchases over £40,000. For purchases at £40,000 or under no SDLT is payable, even if the residential property is not a replacement of a main home or the only residential property owned.

Example: The additional SDLT due on the purchase of a buy-to-let property for £350,000, in comparison to the purchase of a first residential property for the same price would be £10,500 calculated as follows:

Purchase Price	SDLT Rates for Purchase of First Property	Amount of SDLT Due	Rate for Additional Purchases	Amount of SDLT Due
First £125,000	0%	£0	3%	£3,750
Next £125,000	2%	£2,500	5%	£6,250
Final £100,000	5%	£5,000	8%	£8,000
Total		£7,500		£18,000

Whilst this may increase up-front financing costs for buy to let purchasers and purchasers of second homes, purchasers can claim the increased SDLT as a deduction against the capital gain arising on a subsequent disposal of the property.

Residential property acquired other by companies and other ‘non-natural persons’

The aim of the legislation is to prevent mitigation of SDLT by buying residential property through a company or similar ‘wrapper’.

A penal rate of 15% applies to residential property acquired by companies, partnerships where any member is a company, or for the purpose of a collective investment scheme, where the consideration exceeds £500,000.

No account is taken of the mixed nature of other property acquired, multiple dwellings relief (see below), or the deeming of a single contract for purchase of six or more dwellings to be non-residential property.

This enhanced Stamp Duty rule forms part of the ATED provisions and will only apply to residential property bought in a company name for self-use (or that of a family member) where the consideration exceeds £500,000.

As explained in the ATED section above, there are exemptions from ATED, which also extend to the flat 15% SDLT rate and must be claimed on the SDLT return filed by the purchaser.

Relief from the 15% charge will be clawed back or withdrawn, if the use giving rise to the relief does not continue to apply in the three years following the date of acquisition.

Where one of the ATED exemptions applies, the usual progressive basis of SDLT is used to calculate the tax due, rather than the flat 15% rate.

Multiple Dwellings Relief

This relief does not apply where the ATED rules apply.

In order for this relief to be available, the dwellings must be purchased at the same time and from the same vendor. The relief will also apply to the acquisitions of a number of apartment leases, as well as freehold or head lease interest in a number of apartments, provided that the lessor interests when granted did not have an initial term of more than 21 years.

The relief identifies the average price paid for the residential units and SDLT is then determined based on that average price rather than on the price of each unit individually (with a minimum charge of 1%). This rate is then applied to the total consideration paid for the residential units.

If any of the properties are sold within a 3 year period of Multiple Dwellings Relief being claimed, the SDLT payable on the remaining properties needs to be recomputed and any additional SDLT paid over.

Acquisition of 6 or more dwellings in a single transaction

A deeming rule applies to the transfer of six or more dwellings in a single transaction which treats them collectively as non-residential for SDLT purposes and the lower non-residential rates will be applicable on the total whole consideration to be paid.

The non-residential rates are as follows:

- ▶ £0 - £150,000 - 0%
- ▶ £150,000 - £250,000 – 2%
- ▶ £250,000 + - 5%

Other issues

UK residential property directly held by individuals is publicly disclosed in the UK via registration at Land Registry.

With effect from April 2016, every UK company and UK Limited Liability Partnership (LLP) is a requirement to maintain a 'PSC Register' recording Persons with Significant Control. Its importance is even more significant when knowing that in practice it extends to indirect holdings and the particulars of the identified PSCs (who in practice can be an individual but can also be a foreign entity) will be publicly disclosed at Companies House and those entities are required to identify and confirm those persons to be included on the register.

Limited Partnerships (but not LLPs) are currently excluded from this requirement, as are non-UK incorporated companies and partnerships.

The Companies Act 2006 makes it a criminal offence for failing to maintain such a register or to provide details of the PSC for which various restrictions on exercising rights attached to shares are also imposed.

The UK Government intends to go even further by making it a legal requirement for every foreign entity holding real estate in the UK to provide details of its beneficial (not legal) ownership which would be publicly disclosed at the UK Land Registry.

Information would have to be provided even prior to acquisition of a real estate at the buying/bidding stage. This new piece of legislation is currently undergoing a consultation process.



Our service



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Service overview

Our service for overseas property owners is designed to manage your tax affairs with the maximum efficiency, and the minimum of red tape. Once we have the information referred to at the back of this guide, we will:

- ▶ Register you for the relevant taxes
- ▶ Calculate tax liabilities, taking into account all legitimate costs and expenses
- ▶ Negotiate relevant concessions with HMRC
- ▶ Agree a sum (if any) that will be withheld for payment to HMRC by managing agents
- ▶ Arrange for personal tax allowances to be claimed where available
- ▶ Review copies of all existing correspondence with HMRC
- ▶ Appeal against estimated or incorrect tax assessments
- ▶ Make applications for postponement of tax payment, if appropriate
- ▶ Request repayment of surplus tax withheld and paid across to HMRC

Although we will prepare and file annual income tax computations and any relevant annual tax return on your behalf, our service is not limited to once-a-year tax filing.

Instead, our service is on going as the year progresses. We will automatically up-date your accounts on each occasion that we obtain rental statements from your managing agents, negotiating with agents over withholding tax and clarifying documents as required.

We are also on hand to update you on any relevant changes to the UK tax legislation affecting your investment.

Accordingly, we will send you an annual statement, made up to 5 April each year, clearly showing:

- ▶ Rental income
- ▶ All allowable expenses
- ▶ Financing costs

We will notify you of any tax paid or to be paid and, if appropriate, whether any tax withheld can be reclaimed.

Cost of service

Our annual charge for our services break down as follows:

- | | |
|---|------|
| ▶ Production of property rental accounts (per property) | £525 |
| ▶ Preparation of tax return | £185 |

These rates may be reviewed from time to time as appropriate, and different terms could apply in the case of offshore company owners and larger or multiple investments. But in any case, basic costs will always be discussed and agreed in advance. Should you wish, you can instruct your managing agent to pay our fees out of rental income collected by them.

If the tax authorities raise further issues when examining your property investment, we will report to you in the first instance and advise you of the cost of any additional professional time necessarily incurred on your behalf. Similarly, if you require additional advisory services - perhaps relating to the ownership of an investment or its financing – it may be necessary to charge an additional fee.

VAT will be added where applicable for EU based clients, otherwise no VAT will be charged on our fees.

Fees quoted exclude disbursements.



Appendix

- ▶ Property information sheet
- ▶ Instruction letter
- ▶ Finance Provider's/ Lender's authority letter
- ▶ Managing Agents Authority letter
- ▶ Solicitor's Authority letter
- ▶ HMRC - Authorising your agent (64-8) form



**HW Fisher
& Company**

CHARTERED ACCOUNTANTS



Property Information sheet

1. Personal details for you

Full name of purchaser

Overseas postal address of purchaser

Email address

Home telephone number

Mobile telephone number

Nationality

Is the property an offshore company?

Do you wish to register with HMRC to receive rental income gross of tax?

Introduced to HW Fisher & Company by

2. Property details

Date of completion of purchase

Property address

Will your property be furnished?

Basic purchase price

3. Loan

Amount borrowed

Name and address of lender

Telephone/email address

Contact

4. Managing Agent

Name and address of agent

Telephone/email address

Contact

5. Lawyers

Name and address of lawyers

Telephone/email address

Contact

Letter of Appointment

Name:.....

Address:.....

.....

.....

.....

Date:.....

To: Alan Lester, Jamie Morrison, Navin Thaker, Richard Watson(*Please delete as appropriate*)

HW Fisher & Company

11-15 William Road

London NW1 3ER – United Kingdom

Dear Mr Lester, Mr Morrison, Mr Thaker, Mr Watson,

With effect from today's date, I/we appoint HW Fisher & Company to act as accountants and tax advisers in respect of the letting of my/our property at:.....

.....

(*address of let property*)

I/ We instruct you to provide the services described in the brochure entitled UK Residential Property – Tax Guide for overseas investors, and I/we accept the charges quoted therein.

Yours sincerely,

..... Name

.....Signature

sign) (if joint owners all should

If you have an existing accountant in the United Kingdom, please provide their name and address here. For professional reasons, we will need to contact them prior to acting on your behalf.

Name of present accountants:

Address:.....

.....

Contact Partner:

Finance Provider's/Lender's Authority

To:..... (name of lender)

Address:.....

.....

.....

.....

Date:.....

Your Ref:.....

I/we have appointed HW Fisher & Company to act as my/our accountants and tax advisers.

Until further notice, please annually send a certificate concerning the annual interest paid for each year ended 5 April, in respect to you loan to me of £..... for the purchase of.....

.....(address of let property) to:

HW Fisher & Company,
Acre House,
11-15 William Road,
London
NW1 3ER
Attention: Richard Watson

Please also provide HW Fisher & Company any other information which they may require in connection with this property.

Yours sincerely,

..... Name

.....Signature

(if joint owners all should sign)

Managing Agent’s Authority

To:..... (agent’s name)

Address:.....
.....
.....
.....

Date:.....

Concerning:.....
.....(address of Let Property)

I/we have appointed HW Fisher & Company to act as my/our accountants and tax advisers in connection with the letting of the above property. Please release to HW Fisher & Company (for the attention of Mr Richard Watson) copies of all quarterly statements produced and for all other documents they require concerning this property.

Yours sincerely,
..... Name

.....Signature

(if joint owners all should sign)

Solicitor's Authority

To:..... (Solicitor's name)

Address:.....

.....

.....

.....

Date:.....

Concerning:.....

.....(address of Let Property)

I/we have appointed HW Fisher & Company to act as my/our accountants and tax advisers in connection with the letting of the above property. Please release to HW Fisher & Company (for the attention of Mr Richard Watson) copies of all quarterly statements produced and for all other documents they require concerning this property.

Yours sincerely,

..... Name

.....Signature

(if joint owners all should sign)

Please read the notes on the back before completing this authority. This authority allows us to exchange and disclose information about you with your agent and to deal with them on matters within the responsibility of HM Revenue and Customs (HMRC), as specified on this form. This overrides any earlier authority given to HMRC. We will hold this authority until you tell us that the details have changed.

I, (print your name)
of (name of your business, company or trust if applicable)
authorise HMRC to disclose information to (agent's business name)
I agree that the nominated agent has agreed to act on my/our behalf, and the information is correct and complete. The authorisation is limited to the matters shown on the right-hand side of this form.
Signature see note 1 overleaf before signing
Date

Give your personal details or company registered office here

Address
Postcode
Phone number

Give your agent's details here

Address
Postcode
Phone number
Agent codes (SA/CT/PAYE)
Client reference

For official use only

SA	<input type="checkbox"/>	/	/	COTAX	<input type="checkbox"/>	/	/
NIRS	<input type="checkbox"/>	/	/	EBS	<input type="checkbox"/>	/	/
COP	<input type="checkbox"/>	/	/	VAT	<input type="checkbox"/>	/	/
NTC	<input type="checkbox"/>	/	/	COP link	<input type="checkbox"/>	/	/

Please tick the box(es) and provide the reference(s) requested only for those matters for which you want HMRC to deal with your agent.

Individual*/Partnership*/Trust* Tax Affairs ☐ *select
*delete as appropriate (including National Insurance)

Your National Insurance number (individuals only)
☐☐ ☐☐ ☐☐ ☐☐ ☐
 If you are self employed tick here ☐

Unique Taxpayer Reference (UTR) (if applicable)
☐☐☐☐☐☐☐☐
 If UTR not yet issued tick here ☐

If you are a Self Assessment taxpayer, we will send your Statement of Account to you, but if you would like us to send it to your agent instead, please tick here ☐

Tax credits ☐

Your National Insurance number (only if not entered above)
☐☐ ☐☐ ☐☐ ☐☐ ☐
 If you have a joint tax credit claim and the other claimant wants HMRC to deal with this agent, they should sign here
 Name

Signature

Joint claimant's National Insurance number
☐☐ ☐☐ ☐☐ ☐☐ ☐

Corporation Tax ☐

Company Registration Number
☐☐☐☐☐☐☐☐

Company's Unique Taxpayer Reference
☐☐☐☐☐☐☐☐☐☐

NOTE: Do not complete this section if you are an employee. Only tick the box if you are an employer operating PAYE

Employer PAYE Scheme ☐

Employer PAYE reference

VAT ☐ (see notes 2 and 5 overleaf)

VAT Registration Number
☐☐☐☐☐☐☐☐
 If not yet registered tick here ☐

1 Who should sign the form

If the authority is for

You, as an individual

A company

A partnership

A trust

Who signs the form

You, for your personal tax affairs

The secretary or other responsible officer of the company

The partner responsible for the partnership's tax affairs. It applies only to the partnership. Individual partners need to sign a separate authority for their own tax affairs

One or more of the trustees

2 What this authority means

For matters other than VAT or tax credits

We will start sending letters and forms to your agent and give them access to your account information online. Sometimes we need to correspond with you as well as, or instead of, your agent.

For example, the latest information on what Self Assessment forms we send automatically can be found on our website, go to www.gov.uk/topic/personal-tax/self-assessment or phone the Self Assessment Helpdesk on **0300 200 3310**.

You will not receive your Self Assessment Statements of Account if you authorise your agent to receive them instead, but paying any amount due is your responsibility.

We do not send National Insurance statements and requests for payment to your agent unless you have asked us if you can defer payment.

Companies do not receive Statements of Account.

For VAT and tax credits

We will continue to send correspondence to you rather than to your agent but we can deal with your agent in writing or by phone on specific matters. If your agent is able to submit VAT returns online on your behalf, you will need to authorise them to do so through our website. For joint tax credit claims, we need both claimants to sign this authority to enable HM Revenue and Customs to deal with your agent.

3 How we use your information

HM Revenue and Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue and Customs unless the law permits us to do so. For more information go to www.gov.uk/hmrc/information-charter

4 Multiple agents

If you have more than one agent (for example, one acting for the PAYE scheme and another for Corporation Tax), please sign one of these forms for each.

5 Where to send this form

When you have completed this form please send it to:
National Insurance Contributions and Employer Office
HM Revenue and Customs
BX9 1AN

There are some exceptions to this to help speed the handling of your details in certain circumstances. If this form:

- accompanies other correspondence, send it to the appropriate HM Revenue and Customs (HMRC) office
- is solely for Corporation Tax affairs, send it to the HMRC office that deals with the company
- is for a High Net Worth customer, send it to the appropriate High Net Worth Unit
- accompanies a VAT Registration application, send it to the appropriate VAT Registration Unit
- has been specifically requested by an HMRC office, send it back to that office

HW Fisher & Company and HW Fisher & Company Limited are registered to carry out audit work in the UK and in Ireland. A list of the names of the partners of HW Fisher & Company is open to inspection at our offices.

HW Fisher & Company is licensed by the Institute of Chartered Accountants in England & Wales to carry out the reserved legal activity of non-contentious probate in England and Wales.

Fisher Forensic, Fisher Okkersen, Fisher Partners, Fisher Performance Improvement, Fisher IT Asset Consulting, FIAC and Kingfisher Collections are trading names of specialist divisions of HW Fisher & Company, Chartered Accountants.

HW Fisher & Company Limited, Fisher Corporate Plc, FisherE@se Limited, Fisher Forensic Limited, VAT Assist Limited, CBF Wealth Management Limited, Four Elements Consulting LLP and Fisher IT Asset Consulting Limited, are related entities of HW Fisher & Company, Chartered Accountants.

HW Fisher & Company and HW Fisher & Company Limited are not authorised under the Financial Services and Markets Act 2000 but are regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. They can provide these investment services only if they are an incidental part of the professional services they have been engaged to provide.

Fisher Corporate Plc is authorised and regulated by the Financial Conduct Authority under reference 193921.

CBF Wealth Management Limited is an Appointed Representative of Close Brothers Asset Management Limited authorised and regulated by the Financial Conduct Authority under reference 119329.

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F +44 (0)20 7380 4900

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hwfisher.co.uk

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HW Fisher & Company

CHARTERED ACCOUNTANTS

HW Fisher & Company is a member of the Leading Edge Alliance

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