Tax changes for non-resident property investors: what next?

What should you be thinking about? — Your structure — Rebasing from April 2019 — Corporation tax principles — NRL tax compliance — Record keeping

Gains on disposal	• From April 2019, gains on disposals of commercial property will be subject to UK tax • Draft legislation was published on 6 July 2018 • Also gains on sale of indirect interests in UK property such as shares • Details on the taxation of property funds are still to be consulted on. Proposal to allow an election for reporting requirements and tax paid by investors to replace CGT being paid by fund itself
April 2019 valuations	• Plan for rebasing at April 2019, including the practicalities and timing of a valuation • Consider carrying out refurbishment works, tenant rent reviews and re-gearing of leases in advance of April 2019, to ensure the April 2019 revaluation includes any associated uplift in value
Understanding your structure	• Does the entity derive 75% or more of its gross asset value from UK property? (termed a 'property-rich' entity) • Consider the impact of indirect disposals of UK property, e.g. disposals of shares in a property-rich company • Would you know if an investor had a 25% or more holding in the entity being disposed of at any point in the last two years? • Have you considered registering the UBO at UK Companies House?
Record keeping	• Fund managers may need to maintain rolling records of investors and their percentage holdings for at least a two year period, although the 25% threshold for indirect disposals may not apply to investors in real estate funds (another detail yet to be confirmed) • It will be important to maintain robust procedures to inform HMRC of a disposal within the 30 day deadline • Does your accounting system provide for API enabled VAT returns to be submitted from April 2019 • An annual update to the Companies House register plus details of any UBO changes will be required
NRLs move from income tax to corporation tax	• From April 2020, non-resident landlords (NRLs) will be subject to UK corporation tax, rather than income tax on their UK property rental business profits • Corporation tax returns and computations and income tax rules differ, e.g. interest deductibility is more complex under corporation tax • Ask for a review to understand how the new rules affect your business

How we can help

In the Channel Islands we have wide experience in UK real estate taxation and are expertly positioned to advise on these changing regulations and how they may impact both current property structures and future acquisitions.

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