



UK Tax for Foreign Property Investors

What we will talk about today...

- Income tax on rental income
- Capital gains tax for non-residents owning UK residential property
- Corporate ownership of expensive properties
- Commercial property

Income Tax on Rental Income

Q. What is taxed?

A. Rental income less expenses.

Q. What expenses can you claim?

A. Any expenses relating to the earning of the rental income.

Q. How do I report?

A. File an annual Tax Return.

Q. How much tax is payable?

A. At graduated rates starting from 0% moving up to 45%.

Q. When do I pay the tax?

A. 2 instalments and then a final balancing payment.

Q. Do I need to apply for Tax Return treatment?

A. Apply under the Non-Resident Landlord Scheme (NRLS).

Capital Gains Tax for Non-residents Owning UK Residential Property

Q. What are the old rules?

A. No capital gains tax for non-residents.

Q. What are the new rules?

A. Tax charged on the sale of directly-held UK residential property.

Q. To whom does it apply?

A. Applies to individuals, trustees and companies.

Q. How do you calculate the gain?

A. The increase in value since 6 April 2015.

Q. What is the rate of tax?

A. 18% or 28% for individuals. 28% for trusts. 20% for companies.

Q. When is the tax payable?

A. 30 days after completion unless a Tax Return is filed.

Q. What if I live in the property?

A. Unlikely to be able to claim any relief.

Corporate Ownership of Expensive Properties

Q. Why hold a UK dwelling in a company?

A. Income tax savings.
Inheritance tax savings.

Q. How have the rules changed?

A. Penal rate of Stamp Duty Land Tax.
Special tax charged annually.
Penal rate of capital gains tax.

Q. What is the penal rate of stamp duty land tax?

A. 15%

Q. What is the annual tax on dwellings held by companies?

A. Starts at £7,000 for properties value at £500,000.
Rising to £218,200 for properties worth more than £20million.

Q. What is the capital gains tax rate for company-held residential property?

A. 28%

Commercial Property

Q. How does the treatment of commercial property differ to residential property?

A. The penal tax charges only apply to residential property.

Q. Is the use of an offshore company appropriate?

A. Yes, but all factors must be considered.

Q. Will I be charged VAT on the purchase of the property?

A. Only if the current owner has opted to tax the property.

Q. How can I recover any VAT charged?

A. Register for VAT and 'opt to tax'.

Q. What if I am continuing the same business?

A. Transfer the business as a going concern so the deal will be exempt from VAT.

Q. What are the consequences of registering for VAT?

A. Charge VAT on rents and on a future sale.

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