



UK residential property

Do you own UK residential property? Are you thinking of investing in UK property? If yes, then you need to be aware of some significant UK tax changes affecting non-UK residents owning UK property.

What are the changes?

Currently, a non-UK resident individual can sell a UK property at a gain and no UK tax is charged on the gain. From 6 April 2015 all non-UK residents who own UK residential property will be within the charge to UK capital gains tax. UK capital gains tax will apply to future gains (growth in value from 6 April 2015) on the sale by a non-resident of UK residential property.

What level of tax will be payable?

For property already held, only the increase in value from 6 April 2015 will be subject to UK tax when the property is sold. This will be liable to UK capital gains tax. The current rate of UK capital gains tax is 28% (with an 18% rate for smaller gains).

For UK tax purposes the capital gain will be calculated based on the GBP figures for purchase and sale.

Does this change only impact investment properties?

No, it can apply to residential property which is used as a second home or as a holiday home

What about commercial property?

The changes only apply to residential property. A commercial property sold at a gain by a non-UK resident will still be free of UK capital gains tax.

What if I own the property through a company?

You need to consider carefully whether you purchase and own a UK property either personally or through a company or other entity. Owning UK property through an overseas company may provide a potential UK inheritance tax saving. However, if the property is a "high value property" which is used by you or a family member, there are very high tax charges on purchase and on an annual basis. From 1 April 2015 a high value property means a property with a value of GBP1m or above. From 1 April 2016 this reduces to GBP500,000.

Do I need to take any action now?

You may want to advance a sale of residential property. If you own UK residential property through an overseas company, this may be a good time to consider unwinding this ownership structure.

If you need any further information on this topic please do not hesitate to contact me or one of the team at KTA.