

# New UK property tax changes introduced from 6 April 2019

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An update on the taxation of UK property including changes brought about at the start of the new tax year. Below is a summary of the main changes which non-UK residents holding UK property need to be aware of.

## **Direct disposals**

Prior to 6 April 2019, a non-resident individual, company or trust would only be subject to a UK Capital Gains Tax (CGT) charge in limited circumstances, most specifically where UK residential property disposals took place.

However, from 6 April 2019, UK tax is now chargeable on any gains realised by non-UK residents on disposals of all UK property (including commercial property and UK land). This tax charge also extends to 'substantial interests' held in 'property-rich' companies (i.e., 'indirect disposals').

## **Indirect disposals**

For the above purposes, a property-rich entity is defined as deriving 75 per cent or more of its gross asset value from UK land. Should a non-UK resident, and a person with which they are connected, hold at least a 25 per cent shareholding or more (i.e., a 'substantial interest') in a property-rich entity in the two years prior to disposal, any gains realised on the disposal of those shares held will be subject to a UK tax charge.

## **Collective investment vehicles (CIVs)**

Perhaps what is less well known is that gains realised on the disposal of shares held in property-rich CIVs will be subject to a UK tax charge. This includes UK CIVs such as UK real estate investment trusts (REITs). In the case of CIVs, there is no *de minimis* to be applied to the holding in the CIV. This means that investors will now need to know if their managed portfolios hold investments in property-rich CIVs and be cognisant of the UK tax and reporting requirements resulting from any disposals made.

## **Non-resident companies**

Non-resident companies will now be subject to a UK corporation tax (CT) charge on any gains realised on the disposal of UK property held.

Annual tax on enveloped dwellings (ATED)-related CGT has now been abolished for disposals of 'expensive' UK residential properties held by non-resident companies.

The above means that non-resident companies will now be required to register for CT within three months of making a UK property disposal, with any gains realised being subject to a UK CT charge at a rate of 19 per cent (reducing to 17 per cent from 1 April 2020).

## **Rebasing**

Gains realised on the disposal of UK residential properties by non-residents can continue to rebase the cost of the property held to its market value as at April 2015 for the purposes of calculating the ultimate gain realised on disposal.

Any gains realised on the disposal of property or investments held that will now be subject to a UK tax charge as a result of these most recent changes highlighted above, can rebase the value of the property/investment held to its market value as at April 2019, for the purpose of calculating the ultimate gain realised on disposal.

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