

**TAX CHANGES FOR UK PROPERTY HELD BY INDIVIDUALS AND ENTITIES RESIDENT OUTSIDE OF THE UK**

**What are the changes?**

The following changes have been introduced to the existing tax regime from 6 April (1 April for companies) 2019 onwards:

**Non-Resident Capital Gains regime**

- The Non-Resident Capital Gains regime that has applied to individuals and entities owning UK residential property since 6 April 2015 has been extended to include all UK property, so non-resident individuals and entities are now also liable to UK tax on gains arising on UK **commercial property** disposals
- Gains made on the indirect disposal (being the disposal of assets deriving 75% of their value from UK property) of UK residential and commercial property fall within the scope of UK tax, although some exemptions are available
- Gains made on the disposal of UK residential and commercial property by companies resident outside of the UK will be subject to UK Corporation Tax (they are liable to UK Non-Resident Capital Gains Tax (“NRCGT”) currently)
- The Annual Tax on Enveloped Dwellings (“ATED”) related Capital Gains Tax charge, which applied to residential properties held by companies within the ATED regime, has been abolished
- Non-residents (including all companies from 6 April 2019) must settle their NRCGT liabilities within 30 days of completion (this is also the deadline for reporting gains to HMRC). Individuals will still be able to defer payment of NRCGT until the normal due date under Self Assessment for disposals up to 5 April 2020. For disposals of UK property on or after 6 April 2020, payment deferral will no longer be possible

**UK rental businesses operated by non-resident companies**

Note that from 6 April 2020, companies resident outside the UK holding UK property will be subject to UK Corporation Tax (the rate currently being 19%, but will reduce to 17% from 1 April 2020) on profits from a UK rental property business. Until then, UK Income Tax continues to be payable at 20%.

**NRCGT on UK commercial property gains**

The extension of the Non-Resident Capital Gains regime to indirect and direct disposals of UK commercial property only applies to gains and losses arising post 6 April (1 April for companies) 2019.

This is achieved by ‘rebasings’ the property by establishing its value on 5 April (individuals and trusts) or 31 March 2019 (companies) as this will become the property’s base cost for NRCGT purposes. Therefore, it is recommended that non-resident individuals and entities who have commercial property within the scope of the new NRCGT regime obtain valuations for rebasing purposes. Note that an election can be made to use the original cost instead of the rebased value if it results in a capital loss.

The time-apportionment method of calculating the gain or loss that is available for UK residential property disposals by non-resident individuals and entities is not available for disposals of commercial property.

Gains arising on the disposal of UK residential property by non-resident individuals and entities will continue to be assessed to NRCGT only to the extent that they have arisen since 6 April 2015.

The following rates of tax apply to gains arising on the disposal of UK residential and commercial property by individuals and entities resident outside of the UK:

Individual / entity	UK residential property	UK commercial property
Non-resident individual	18% or 28%*	10% or 20%*
Non-resident trusts	28%	28%
Non-resident companies	19%**	19%**

\*Depending on total income  
 \*\*17% from 1 April 2020

If you would like further information on the new regime, please speak to your usual contact.