

GUIDE TO INVESTING IN UK RESIDENTIAL PROPERTY

Ownership options

Direct foreign ownership of UK properties is permitted under UK law. There are two main interests by which property can be held.

Freehold

Freehold property belongs to the owner in perpetuity. Transferring this interest in a property can proceed without any restrictions or approvals.

Leasehold

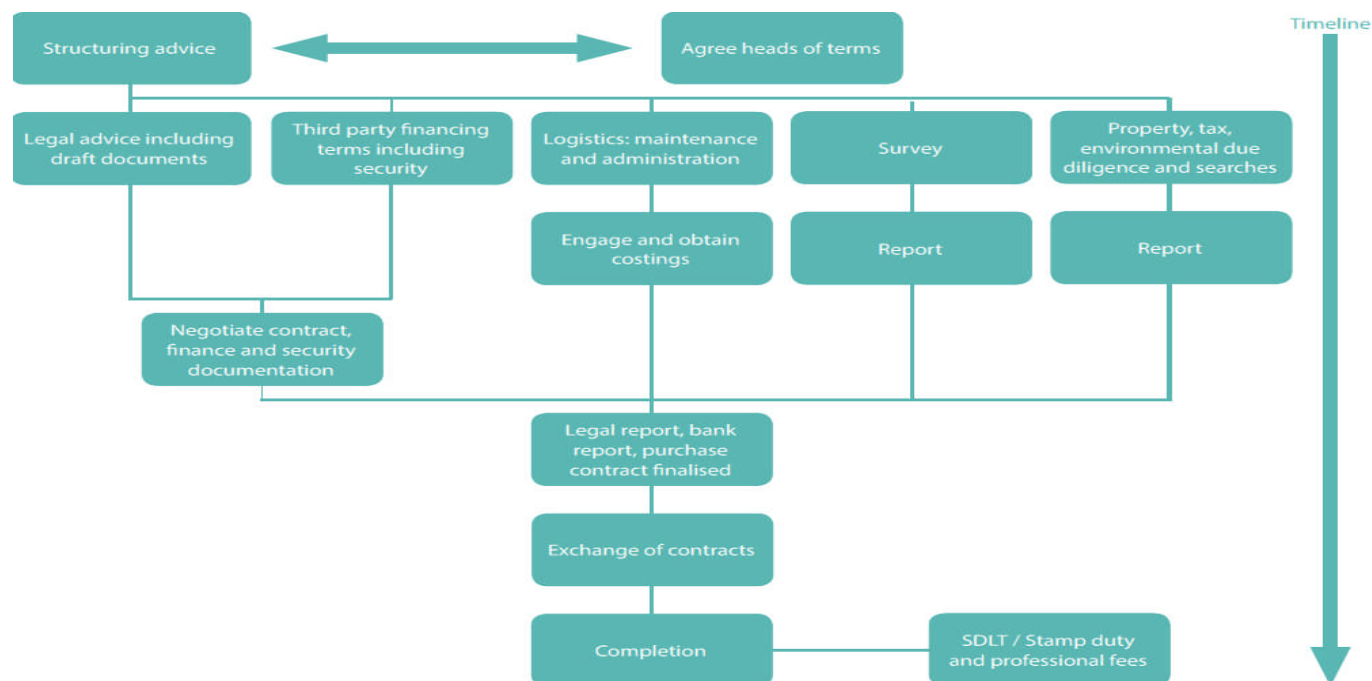
This is a land interest which provides the holder with rights of exclusive possession, and use of the land for the term of the lease.

Do I need to pay any transfer tax on my purchase?

You have to pay stamp duty land tax (SDLT) on the acquisition of UK residential land. The rates are:

PURCHASE PRICE	RATE OF TAX
Under £125,000	0%
£125,000 - £250,000	1%
£250,000 - £500,000	3%
£500,000 - £1,000,000	4%
£1,000,000 to £2,000,000	5%
Above £2,000,000 +	7%
OR £2,000,000 + if purchased by certain entities such as a company (whether UK or non UK)	15%

The process of purchasing property



Are there any restrictions on my purchase?

There are no restrictions on non-UK domiciled individuals or offshore companies, but there are different rates of SDLT as indicated above that are potentially applied to companies buying high value property.

How should I hold my property interests?

There are three main options – direct ownership, ownership by a trust and ownership by an offshore company (the shares of which may be held by offshore trustees). In each case, UK income tax, capital gains tax and inheritance tax need to be considered. SDLT will apply to all UK purchases, regardless of the residence status of the purchaser

Do I need to engage a lawyer for the purchase?

It is advisable to engage a solicitor who will conduct searches on the property to confirm ownership, and also to ensure that the seller can pass good title to the property to you. In addition, if you are buying with the aid of a loan or mortgage which will be secured on the property, then a solicitor will need to review the mortgage documentation.

You will need to agree a fee with your solicitors. We provide a bespoke service for non-UK domiciled purchasers, who wish to acquire residential property in the UK. We also have experts in trusts and tax planning for the structuring of your property purchase in the UK.

Can I take a loan in the UK?

There are numerous UK financial institutions that offer mortgage loans to assist in acquiring UK property. Buyers are able to negotiate loans of up to 60% of the property value.

In both cases, the limit will depend upon the financial institution's internal and credit assessment guidelines, and the amount of equity that you will be investing.

Are there other costs associated with buying and owning property in the UK?

In addition to SDLT, there is a fee charged by the Land Registry for registering the property in your name. This is a fixed fee and the rates are:

VALUE OR AMOUNT (£)	FEE (£)
0 – 50,000	40
50,001 – 80,000	70
80,001 – 100,000	120
100,001 – 200,000	190
200,001 – 500,000	270
500,001 – 1,000,000	540
1,000,001 and over	910

In addition, you will have to pay a local tax to the Council which is governed by the district, in which your property is situated. The charges vary from Council to Council, and we can identify the charges you will incur.

There may also be additional costs if you are acquiring a long leasehold interest.

Are there any other taxes to consider?

In relation to UK tax, if you personally own a UK property which is rented out, the net rent will be subject to UK income tax. This can be at rates of up to 45%. If the property is owned through an offshore company, tax on the net rental income will be restricted to 20%.

From 1 April 2013 an annual charge on residential property owned by non-natural entities (such as a company, whether UK or non UK) comes into force. The charge will apply to properties valued in excess of £2m on a sliding scale as follows.

PROPERTY VALUE	ANNUAL CHARGE 2013-14
£2m-£5m	£15,000
£5m-£10m	£35,000
£10m-£20m	£70,000
£20+m	£140,000

In the event of my death, who will inherit the property?

The ultimate recipient of your property on your death will depend on how the property is held and by whom. We can advise on those options.

If you do not have a valid UK will, then the current UK inheritance laws determine who will inherit your assets. If the property is held under a trust structure, the terms of the trust will determine who receives the property.

A minor under the age of 18 cannot own land or property in the UK, so it would have to be owned in trust by trustees (typically the parents) and for the beneficial ownership to be held for the minor (typically the children).

Are there any restrictions on what I can or cannot do once I have acquired the property?

If you acquire a freehold property, then there will be few, if any, restrictions on how you use and occupy the property.

The position with leaseholds is slightly different. Most leases have various restrictions in the content of the lease, which govern the way you can use and occupy the property. We will advise you on these aspects of your property purchase.

What are the costs, if any, of selling the property or exiting the structure?

If you own your UK property (with a value in excess of £2m) via a trust or company structure there may be Capital Gains Tax (CGT) on a sale or gift of your property.

The net value of your property after deducting any mortgage will be subject to inheritance tax (IHT) at 40% on your death, subject to certain exemptions and reliefs. In certain circumstances, a mortgage secured on the property may no longer be allowable to reduce the value of the property for inheritance tax purposes as has previously been the case. If you are non-UK domiciled, then there are options to help you avoid IHT.

If you hold your property through a non-UK company, it is important that you take local advice about the tax treatment of any gains on profit made on UK residential property in that jurisdiction.

Your contacts:



Leona Ahmed
Partner, Real Estate
+44 (0) 20 7160 3460
+44 (0) 7841 418310
leona.ahmed@addleshawgoddard.com



Elaine Gwilt
Partner, Tax
+44 (0) 20 7544 5335
+44 (0) 7738 697318
elaine.gwilt@addleshawgoddard.com



Yorke Eaton
Partner, Private Capital
+44 (0) 113 209 2137
+44 (0) 7525 238916
yorke.eaton@addleshawgoddard.com

The team's international capabilities, which continue to grow, are also a strong selling point. A source describes the team as a dynamic, thriving group that I love referring people to.

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The above is intended only as an overview of the position, and should not be relied on in place of specific advice. For further, more detailed advice, please do not hesitate to contact us - we look forward to speaking with you about your individual requirements.

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