International Services, Residency and Domicile

Non-residents buying property in the UK – The story so far

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Non-resident individuals and companies can buy property in the UK, but it’s important to be aware of various tax implications and procedural requirements, especially given the recent announcements in the Autumn Budget announced on 30 October 2024.

Below, we outline key considerations for non-resident buyers.

Can non-residents buy property in the UK?

Yes, non-residents can freely purchase property in the UK, regardless of their future residency plans.

What types of properties can non-residents buy?

Non-residents are free to purchase any type of property in the UK, whether residential or commercial. This includes houses, flats or apartments for personal use, investment, or rental purposes. Non-residents can also invest in buy-to-let properties as well commercial real estate such as office buildings, retail spaces and industrial properties, either for investment or business purposes. New build developments are also very common with favourable financing options available for foreign investors. Non-residents can also purchase leasehold properties, or shared ownership (part buy, part rent) though these can have specific terms related to them. There are no restrictions based on citizenship or residency status. However, depending on the type of property—particularly if it’s for personal use, rental income, or commercial purposes—different tax rules will apply.

What to consider when purchasing property in the UK as a non-resident

The process is similar to that of UK residents buying property, but there are a few additional considerations:

1. **Financing**: If purchasing with a mortgage, investors will face higher deposit requirements especially in instances where the property is purchased for letting purposes. Lenders will also evaluate the buyer's financial situation more strictly, given that foreign buyers may have different financial regulations in their home countries.
2. **Legal representation**: It is essential to engage a solicitor or conveyancer familiar with property law in the UK. They will handle the paperwork, conduct title checks, and manage the exchange of contracts.
3. **Stamp Duty Land Tax (SDLT)**: All property buyers must pay SDLT, and the rate varies depending on how the property is purchased as summarised in the below table which we will explain further down in this article. This tax is tiered and based on the purchase price of the property.

For transactions with an effective date between 23 September 2022 and 31 March 2025, the SDLT rates are as follows:

Purchase price	Standard rate	Higher rate
Up to £250,000	0%	5%
Above £250,000 to £925,000	5%	10%
Above £925,000 to £1.5 million	10%	15%
Above £1.5 million	12%	17%

*Additional 2% surcharge for non-residents

For transactions with an effective date on or after 1 April 2025 those rates are as follows:

Purchase price	Standard rate	Higher rate
Up to £125,000	0%	5%
Above £125,000 to £250,000	2%	7%
Above £250,000 to £925,000	5%	10%
Above £925,000 to £1.5 million	10%	15%
Above £1.5 million	12%	17%
*Additional 2% surcharge for non-residents		

1. **Ownership structure**: It is crucial to take advice on the best ownership structure for the purchase of property which is dependent on one's long-term goals. Consideration should be given to whether property should be owned in individual name, UK company, offshore company, offshore trust or other.
2. **Registering for Taxes**: Non-residents who buy property to rent will need to register with HMRC under the Non-UK Resident Landlord Scheme to receive rental income gross. Without this, 20% tax will be withheld from rental income by the letting agent or tenant – this amount can be claimed back on landlord's UK personal tax return.

Tax implications for individuals

In recent years, there has been a surge in foreign investment in luxury properties, particularly in London. Purchasing in your own name is the simplest ownership structure, however the following taxes and obligations are relevant:

Stamp Duty Land Tax (SDLT):

- Non-resident individuals currently face an additional 2% surcharge to purchase property.
- If you already own a home anywhere in the world, an additional surcharge of 5% will apply to the purchase price. This was 3% prior to the Autmn Budget on 30 October 2024.

Income Tax (IT):

- Rental profits are subject to income tax at rates of 20%/40%/45% above the tax-free personal allowance of £12,570, provided this is available.
- Annual personal tax declarations must also be submitted to HMRC on or before 31 January following the end of the tax year.
- A tax efficient Furnished Holiday Lettings (FHL) regime is also available in respect of holiday accommodation that satisfices certain criteria. However, the FHL status will be abolished from April 2025.

Capital Gains Tax (CGT):

- Gains on disposal of residential properties are subject to CGT flat rates of 18% and 24% depending on the individual's income levels in the year of disposal.
- From 30 October 2024, the CGT rates applicable to sale of commercial properties were increased to 18% and24%, previously lower rates of 10% and 20% applied.
- Disposals by non-residents must be reported on a 60-day CGT return within 60 days of completion and any tax due paid by the same date.
- Non-residents can rebase the value of their residential properties to 5th April 2015 if such properties were purchased prior to 2015.

From April 2019, gains made on disposal of commercial properties are also subject to CGT for non-resident individuals. A CGT return is also required if the seller is non-resident. Value Added Tax (VAT)

- Provided the UK investment property is let out as a holiday accommodation by a Non Established Taxable landlord (i.e. who is not based in the UK) the landlord will be required to register for VAT with HMRC and make the quarterly VAT submissions regardless of the level of rents collected.

Tax implications if purchasing through a company

Acquisition via a company is also a common ownership structure and can be via a UK company or an offshore entity. Specific considerations to note as follows:

1. **Stamp Duty Land Tax (SDLT)**: Companies are subject to SDLT on property purchases, but if a non-resident company buys a residential property valued over £500,000, they could face a 17% SDLT rate following the Autumn budget. However, there are exemptions for companies involved in property development or rental businesses.
2. **Corporation Tax**: Since April 2020, non-resident companies have been liable to annual corporate tax filings and Corporation Tax on all rental profits and property disposals of UK land and property at flat a rate of 25%. UK resident companies with low profits may be able to take advantage of lower rates – UK resident companies pay 19% on profits below £50,000 and companies with profits over £250,000 pay a rate of 25%. Companies with profits between £50,000 – £250,000 will pay a varying effective rate of tax depending on their profits. FHL scheme can also be benefited from up until April 2025.

3. **Annual Tax on Enveloped Dwellings (ATED)**: Ownership of residential property worth more than £500,000 would be subject to the ATED charge. There are a number of reliefs from this charge – such as if the property is commercially let, though an ATED return must still be submitted.

4. **Register of Overseas Entities (ROE)**: Since August 2022, non-resident companies must be registered on the ROE and submit annual updates to Companies House.

5. **VAT:** As per sections above, this is only applicable to businesses which have no UK fixed establishment and which let UK holiday accommodation.

Tax implications of ownership by an Offshore Trust

Ownership via offshore trust is a common vehicle used for succession planning and asset protection, however tax implication to consider are as follow::

- **Stamp Duty Land Tax (SDLT)**: Above SDLT rate applies.

- **Income Tax (IT):** Rental income subject to income tax at higher tax rate of 45% applies to taxation of discretionary trusts.

- **Capital Gains Tax (CGT):** Gains on disposal of property subject to CGT at 24% with a similar on a 60-day CGT return reporting requirements as individuals.

- **Trust Registration Service (TRS):** Trusts that are liable to UK tax must register with the TRS within 90 days of the trust becoming liable and thereafter submit an annual declaration on the details of the trust.

- **IHT** – Trusts have their own IHT regime and typically would need to consider chargeable lifetime transfer charge when gifting property into the trust, periodic charges at every 10 year anniversary of the trust and exit charge when property leaves the trust.

Conclusion

In summary, tax position on purchase of UK property can be complex and advice should be sought in advance if starting the process to ensure that the correct ownership structure is put in place at the outset.