

Briefing document

Reporting UK property taxes

Introduction

Owners of UK property can incur a variety of tax charges and may have related reporting requirements. This note summarises the tax position and reporting requirements in relation to the Annual Tax on Enveloped Dwellings (ATED), rental income received by non-UK resident landlords and on disposal of UK property. The tax and reporting position varies depending on the profile of the person(s) who owns the property, the property's value, the use to which the property is put and whether a disposal occurs before 6 or after 5 April 2019.

We can assist you with understanding the tax position and compliance with relevant reporting responsibilities. Other taxes and related reporting requirements may apply, in addition to those set out in this note.

In some cases, UK resident individuals may be taxable on income received or gains made by non-UK residents. For examples, shareholders in non-UK resident companies and settlors or beneficiaries of non-UK resident trusts. This note does not comment on this point: please contact us for advice if this is or may be relevant.

Forthcoming changes

Further changes will be made from 6 April 2020 which are particularly pertinent to non-UK resident corporate landlords and the reporting position of UK resident individuals and trustees who make taxable gains on disposal of UK residential property. These points are not set out in this note. Please contact us for further information.

Annual Tax on Enveloped Dwellings (ATED)

ATED is a tax charge, payable every year in advance, which applies annually to 'high-value' UK residential properties owned by non-natural persons, which includes companies and foreign equivalents. ATED is **not** payable where trustees own property directly, nor is it payable by individuals who own property personally. It applies regardless of where the non-natural person that owns the property is resident.

ATED applies to properties worth more than £500,000. The amount of ATED payable depends on the value band into which the property falls. For the five years commencing on 1 April 2018, the value of a property for ATED purposes is the property's value on 1 April 2017, or on purchase, if later. Revaluations are required every five years. Revaluations may be required more frequently if a 'substantial' acquisition or disposal of an interest in the property occurs. This, broadly, relates to an acquisition or disposal of an interest in the property for £40,000 or more, or a transfer of an interest worth this amount if the transfer occurs by way of gift.

Relief from ATED is available in some cases, including for qualifying property rental or development businesses.

An ATED return(s) must be submitted annually in respect of properties within the scope of ATED. Where relief is available, it must be claimed annually.

A return may be required within 30 days of acquisition of a new property. Returns must generally be filed and any tax due paid by 30 April at the beginning of the ATED period (1 April – 31 March) for properties that are already owned on 1 April. A further or amended return may also be required if the ATED position changes. The filing deadline may be as short as 30 days from the event that triggered the additional reporting requirement.

Non-Resident Landlord (NRL) scheme

The NRL scheme may apply where a property is let by a person whose usual place of abode is outside the UK. This often, but not always, corresponds to being non-UK resident for tax purposes. It can apply to individuals, trusts and companies that let property, regardless of whether or not ATED is payable.

If the NRL scheme applies, 20% income tax should be deducted at source by the tenant or letting agent. The collecting tenant or agent may deduct certain expenses they have paid on the landlord's behalf from the gross rent before calculating the tax due. However, the landlord may instead be able to register with HMRC under the NRL scheme to receive rents gross. Annual tax returns must then be completed to declare the tax due. Returns are generally due by the 31 January following the end of the tax year (which is 5 April).

Tax on property gains

The tax position on disposal of UK property varies depending on the circumstances involved. Broadly:

- **Individuals**, regardless of residence, pay 18% or 28% Capital Gains Tax (CGT) on gains realised in excess of the annual exemption (£12,000 for 2019/20).
- **Trustees**, regardless of residence, pay 28% CGT on gains realised in excess of the trustees' annual exemption (£6,000 for 2019/20).
- **Non-UK resident individuals and trustees** are usually only taxable on the uplift in value of UK residential properties from 5 April 2015 and UK non-residential properties from 5 April 2019. From 6 April 2019 tax charges may also apply on gains made on 'indirect disposals' of UK land which (broadly) involves disposals of interests in companies (such as shares) by non-UK residents with a substantial (25% or more) interest in a company which derives at least 75% of its gross asset value from UK land.
- Gains realised by **individuals or trustees** may be reduced, potentially to nil, where a property is used as an individual's **main residence**, including as the main residence of a trust beneficiary.
- **UK resident companies** pay 19% corporation tax on UK property gains. Rebasing is never available. ATED-related CGT applied to companies that realised gains prior to 6 April 2019 if ATED had been paid. This resulted in 28% CGT applying to gains attributable to the period in which ATED was payable. The scope of ATED was gradually widened, as a result of which there were various different rebasing dates.
- **Non-UK resident companies** pay 19% corporation tax on UK property gains realised after 5 April 2019. Tax is usually only payable on the uplift in value of UK residential property from 5 April 2015 and on the uplift in value from 5 April 2019 for UK non-residential properties and potentially on 'indirect disposals' of UK land (broadly, as explained for non-UK resident individuals and trustees).
Prior to 6 April 2019, non-UK resident companies were only within the scope of taxation on UK residential property gains. ATED-related CGT applied to residential property gains if ATED had been paid (as set out for UK resident companies above). 20% CGT applied to the uplift in value of the property from 5 April 2015, to the extent the gain was not within the scope of ATED-related CGT.

Reporting requirements on disposal of UK property

Various reporting requirements may apply on disposal of UK property. Notably:

- **Non-UK resident individuals and trustees** must normally file a return within **30 days** of disposal of a UK property. The same 30 day time limit applied to **companies before 6 April 2019**.
- **Individuals and trustees** may also or instead need to complete a Self-Assessment tax return by the 31 January following the end of the tax year of disposal (or 31 October if filing on paper).
- **UK resident companies** and, **from 6 April 2019, non-UK resident companies** may need to include the disposal on their corporate tax return.
- ATED-related capital gains summaries must be completed by **companies within the scope of ATED-related CGT** by the 31 January following the end of the tax year of disposal. The last tax year for which this is relevant is 2018/19. The filing deadline is 31 January 2020.

How can we help?

We can assist with understanding the tax position of UK property and compliance with reporting requirements. In particular:

- We can advise on whether or not a property is within the scope of ATED or the NRL scheme, prepare annual returns on an ongoing basis and, for the NRL scheme, prepare applications to receive rents gross.
- On disposal we can assist you with calculating the tax gain and with preparation of the required return(s).
- While in this note we have focussed on the tax position for properties which are already owned, it is essential that advice is taken prior to purchasing a property and any reporting requirements complied with. Notably, companies may need to file an ATED return within 30 days of acquisition of a UK residential property.

Find out more...

This note reflects the law in force as at 5 September 2019. Please be aware that it does not cover all aspects of this subject. To find out more about any aspect of the above, please discuss with your usual Deloitte contact. If you do not have a usual contact, please contact Michelle Robinson (michellerobinson@deloitte.co.uk). For further information visit our website at www.deloitte.co.uk.

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