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UK Residential
Property Investment



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Legal information sheet UK Residential Property Acquisition

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Why Charles Russell Speechlys?

- A wealth of experience and expertise in relation to tax, corporate structuring and residential conveyancing.
- Competitive pricing and flexible fee structures.
- UK qualified property lawyers 'on the ground in the region' who can:
 - project manage and/or undertake the work;
 - act as the day to day contact;
 - work in the same time zone and attend meetings at short notice;
 - deal with queries, questions or concerns 'face to face'; and
 - provide bilingual capabilities (our team includes both English and Arabic speakers).



Simon Green, Partner
Head of Real Estate Middle East

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UK Residential Property Acquisition

1. Initial Considerations

- Tax issues – the acquisition of UK residential property will give rise to tax liabilities. These are set out in the table on page 3.
- Acquisition structure – the most appropriate legal and tax efficient structure will depend on a number of factors such as:
 - Acquisition vehicle – will the acquisition be through a special-purpose vehicle (SPV), trust or by an individual?
 - Jurisdiction – if an SPV or trust structure is recommended then will this be incorporated off-shore and, if so, in which jurisdiction?
 - Investment or otherwise – what is the purpose of the acquisition?
 - Other factors – are there any other non-commercial factors to take into account such as family requirements / succession planning, confidentiality, intended level of occupation (if applicable), Shari’ah issues etc.
- Financing – is financing required in relation to the acquisition? If so, is this Conventional or Islamic?
- Approvals – are any approvals required (e.g. consent of landlord if the title to the property is leasehold)?
- Legal assistance must be obtained in relation to the conveyance of all residential property in England & Wales. As such, a law firm will require certain information from any new client so as to comply with anti-money laundering regulations.



2. Pre-Exchange

- Prepare and settle draft legal documents including (but not limited to) the sale contract.
- Conduct due diligence comprising investigation of title as well as standard searches and enquiries.
- Prepare a report on title summarising the results of the due diligence.

3. Exchange

- Subject to successful due diligence, the contract is signed by the client or by our firm (pursuant to a letter of authority).
- Deposit is paid by the buyer – usually 10% but subject to negotiation.
- Exchange means that a legally binding agreement has been created between the seller and the buyer. Neither party can withdraw after Exchange without incurring penalties.

4. Pre-Completion

- Finalise all legal documentation such as (but not limited to) the transfer deed, mortgage deed (if required) and lease /licence to assign (if applicable and as appropriate) and arrange their execution.

- Arrange for drawdown of any financing.
- Prepare the completion statement in relation to the required balance of monies to complete.
- Undertake pre-completion searches / enquiries (as appropriate).

5. Completion & Post Completion

- Transfer completion monies from buyer’s solicitors to seller’s solicitor, which will be held to the buyer’s solicitors order pending completion.
- Completion takes place when the seller’s solicitors confirm receipt of the completion monies.
- Keys are released to the buyer via the agent.
- Ensure:
 - Payment of the required amount of Stamp Duty Land Tax (SDLT) – see page 3;
 - The transfer of ownership and registration of title at the Land Registry is completed within the prescribed period; and
 - Any financing is registered against the property by way of a first ranking legal charge or equivalent depending on whether the financing is Conventional or Islamic.

	Personal Names	Offshore Trustees	Offshore Company
	Property held by individuals or by nominees(s) for them for confidentiality (note a proposed register of beneficial owners may negate any confidentiality benefits)	Property directly held by offshore trustees (no company)	Shares held by individual or held by trustees
SDLT (on purchase) (£)	Yes – progressive system. The UK Government has recently announced an SDLT “holiday” for completions taking place on or before 31 March 2021. £0 - £125k: 0% Over £125k to £250k: 2% Over £250k to £925k: 5% Over £925k to £1.5m: 10% Over £1.5m: 12% 3% Surcharge: continues to apply if a buyer owns any property including any internationally (unless replacing main residence).	Yes – progressive system (see left) Depending on type of trust. 3% surcharge may be automatically applicable.	15% over £500,000 Unless relief applies (letting, trading etc.) in which case progressive system applies (see left) with 3% surcharge automatically applicable.
Annual Charge (ATED) (every year) (£)	No	No	Yes – for owner occupation for properties valued over £500,000. Charge ranging from £3,700 to £236,250 (depending on property value - see next page) No – if genuinely rented out No – if owned by a property trader
Income Tax (rental income)	Up to 45% of profits after any deductible expenses. (NB restriction of mortgage interest relief)	Depending on which type of trust, up to 45% of net profits after any deductible expenses. (NB restriction of mortgage interest relief)	No
Corporation Tax (rental income and on sale of property)	No	No	Corporation tax at 19% on profits after any deductible expenses on post-6 April 2015 increase in value
Capital Gains Tax (CGT) (on sale / gift)	Yes , on post-6 April 2015 increase in value: • 18% for basic rate taxpayers • 28% for all other rate taxpayer	Yes , on post-6 April 2015 increase in value at 28%.	Yes , for shareholders on the disposal of shares in non-UK companies holding UK land, where certain conditions are met. CGT charged at 10% / 20% for individual shareholders and 20% for trustee shareholders, in respect of any post-6 April 2019 increase in value.
Inheritance Tax (IHT) (usually only on death)	Yes 40% on death above Nil Rate Band (currently £325,000). An additional “Residence” Nil Rate Band may also be available provided certain conditions are met. (Spouse exemption / mortgages / insurance / reservation of benefit. (NB loans and guarantees relating to UK property potentially subject to IHT)	Yes Up to 6% every 10 years and on distributions between 10 year anniversaries. 40% on death if reservation of benefit. (no spouse exemption). (NB loans and guarantees relating to UK property potentially subject to IHT)	Following a change to the law on 6 April 2017, the value of the shares (assuming they derive their value from the UK residential property) is subject to IHT. The rules relating to personal names and offshore trustees (see left) will apply depending on who owns the shares. (NB loans and guarantees relating to UK property subject to IHT)

Note:

- The above table only relates to residential property purchased by non-UK tax residents and non-UK domiciled persons.
- This is a summary only and is accurate as at May 2020.
- From 6 April 2019, CGT has applied to the disposal of UK commercial property by non-UK residents
- From 6 April 2020, non-UK resident companies have been subject to corporation tax rather than income tax on UK rental income.
- For completions taking place after 31 March 2021 the old SDLT rates are likely to apply but they have yet to be confirmed.
- We anticipate a register of beneficial owners in relation to on-shore companies in 2021.
- The government has announced that, with effect from 1 April 2021, a 2% surcharge will apply to non-UK residents purchasing residential property in England and Northern Ireland. This will be in addition to the 3% surcharge noted above. The detail of planned new surcharge is yet to be published.

ATED (Annual Tax on Enveloped Dwellings)

- Applies to '*non-natural persons*' (companies) owning residential property
- ATED year runs from 1 April to 31 March
- Pay tax and file by 30 April
- Reliefs for **genuine** commercial lettings, trading, development
- Band determined by value on 1 April 2017 (or the acquisition date if later) (existing properties must be revalued)

Property value	Annual charge (2019/2020)
Over £500,000 - £1m (from 1 April 2016 only)	£3,700
Over £1m - £2m (from 1 April 2015 only)	£7,500
Over £2m - £5m	£25,200
Over £5m - £10m	£58,850
Over £10m - £20m	£118,050
Over £20m	£236,250

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For information as to how we process personal data please see our privacy policy on our website charlesrussellspeechlys.com.

Our Work

The Charles Russell Speechlys team based in the Middle East has significant experience advising international purchasers with their UK property investments. We work alongside some of the UK's largest developers such as Berkeley Group, Battersea Power Station Development Company and Seven Capital. We also regularly act on projects promoted by significant real estate investment companies such as IP Global and Residential Property Group. In 2020/2019 we dealt with over £100m worth of residential property transactions for our clients across a variety of schemes, including the following:

- Battersea Power Station, London
- One Palace Street, London
- West End Gate, London
- Fulham Reach, London
- White City Living, London
- Beaufort Park, London
- X1 The Tower, Liverpool
- St Martins Place, Birmingham
- Blackfriars, Manchester



Charles Russell Speechlys
BAHRAIN DISPUTE RESOLUTION
FIRM OF THE YEAR

Our Team



Simon Green,
Partner

Simon is the Head of Real Estate for the Middle East region. Having been based in the Middle East since 2008, Simon specialises in real estate and construction matters. His main areas of expertise are large-scale mixed-use developments and infrastructure projects (particularly PPPs), city centre redevelopments, real estate investment, management and finance as well as hotels and hospitality. Simon regularly advises on 'foreign direct investment' from the GCC into commercial and residential property in the UK and other parts of the world.



Kelly Dunn,
Chartered Legal
Executive

Kelly is the Residential Property Team Manager. Kelly is based in the Middle East and has significant experience in relation to acting for our Middle East clients with their residential property acquisitions and disposals in the UK. She has more than 15 years' experience in property law with the last 10 years specialising in UK residential conveyancing, in particular acting on behalf of buyers of 'new build' purchases. Kelly also has experience in acting for high net worth individuals on sales and purchases of existing properties and advising clients in all aspects of residential property to include transfer of equity and re-mortgages.



Meenal Yadav,
Licensed Conveyancer

Meenal is a licensed conveyancer in the Residential Property Team (forming part of the Middle East Real Estate group). Meenal has 13 years of experience in residential conveyancing. Meenal has experience in all land transaction types including registered/unregistered, new build purchases, plot sales, shared ownership, retirement, right to buy, auctions, transfer of equity, company purchases, statutory and voluntary lease extensions.



Poras Dhakan,
Associate

Poras has been living in the Middle East since 1989 and working there since 2010. He is a New York State Attorney and has advised a number of high net worth individuals, regional developers and master developers, owners' associations and multinational entities on various real estate projects, transactions and disputes. Poras' main focus is on real estate matters, including mixed-use master planned and single plot developments, strata titling strategies and related matters as well as real estate investment and management transactions.



Dana Marshad,
Trainee

Dana is currently a trainee at Charles Russell Speechlys. The two-year training contract is divided into four seats giving trainees the opportunity to experience a range of different practice areas before qualification. Dana is fluent in Arabic and English.

"Clients are quick to praise 'his [Simon Green] deep knowledge of the subject matter, as well as his negotiation skills'."

Chambers Global, 2019



Charles Russell Speechlys works with clients in the UK and throughout the world. Our lawyers are based in 11 locations across the UK, Asia, Europe and the Middle East, and through each of these locations, clients are able to access the full range of the firm's skills and expertise.

We have an unusually broad range of skills and experience across the full spectrum of businesses and personal needs. This gives us a wider perspective, clear insight and a strongly commercial long-term view. We use this approach to secure the growth of our clients as they move confidently into the future. It has made us a leader in the world of dynamic growth and family business, and among the world's leading creators and owners of private wealth and their families. Major corporates and institutions find our more considered and personal approach a refreshing alternative to conventional business law firms.

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