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' 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
simon.green@crsblaw.com
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?
   - 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 (if applicable).

Note: The information contained within the UK Residential Property Acquisition brochure is only intended for purchases of residential property in England and Wales.
<table>
<thead>
<tr>
<th><strong>SDLT (on purchase)</strong> (£)</th>
<th><strong>Annual charge (ATED)</strong> (every year) (£)</th>
<th><strong>Capital gains tax</strong> (on sale / gift)</th>
<th><strong>Inheritance tax (IHT)</strong> (usually only on death)</th>
<th><strong>Income tax</strong> (rental income)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal names</strong>&lt;br&gt;Property held by individuals or by nominee(s) for them for confidentiality (note a proposed register of beneficial owners may negate any confidentiality benefits)</td>
<td><strong>Offshore trustees</strong>&lt;br&gt;Property directly held by offshore trustees (no company)</td>
<td><strong>Offshore company</strong>&lt;br&gt;Shares held by individual or held by trustees</td>
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<td>Yes – progressive system: 0 – 125k: 0%&lt;br&gt;Over 125k to 250k: 2%&lt;br&gt;Over 250k to 925k: 5%&lt;br&gt;Over 925k to 1.5m: 10%&lt;br&gt;Over 1.5m: 12%&lt;br&gt;3% Surcharge: applies if a buyer owns any property including any internationally (unless replacing main residence)</td>
<td>Yes – progressive system (see left) Depending on type of trust, 3% surcharge may be automatically applicable</td>
<td>15% over 500,000&lt;br&gt;Unless relief applies (letting, trading etc.) in which case progressive system applies (see left) with 3% surcharge automatically applicable</td>
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<tr>
<td><strong>Yes on gains accruing post 6 April 2015</strong>&lt;br&gt;• 18% for basic rate taxpayers&lt;br&gt;• 28% for all other rate taxpayer</td>
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<td><strong>Yes</strong>&lt;br&gt;• 40% on death (spouse exemption / mortgages / insurance / reservation of benefit)&lt;br&gt;(NB loans and guarantees relating to UK property potentially subject to IHT)</td>
<td>Up to 45% of profits after any deductible expenses.&lt;br&gt;(NB restriction of mortgage interest relief being phased in from 6 April 2017)</td>
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<td><strong>Yes</strong>&lt;br&gt;Up to 6% every 10 years and on distributions between 10 year anniversaries&lt;br&gt;40% on death if reservation of benefit (no spouse exemption)&lt;br&gt;(NB loans and guarantees relating to UK property potentially subject to IHT)</td>
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<td><strong>Yes</strong>&lt;br&gt;• a potential 28% ATED related capital gains&lt;br&gt;• 20% rate if ATED relief applies i.e. genuinely rented or if outside ATED</td>
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</tr>
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<td><strong>Yes</strong>&lt;br&gt;40% on death&lt;br&gt;(spouse exemption / mortgages / insurance / reservation of benefit)&lt;br&gt;(NB loans and guarantees relating to UK property potentially subject to IHT)</td>
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<td><strong>Not currently BUT if draft legislation is implemented as expected this year, then going forward:</strong>&lt;br&gt;<strong>Yes</strong> (on the value of the shares)&lt;br&gt;See left for the different treatment of shares held in personal names or by trustees (NB loans relating to UK property potentially subject to IHT)</td>
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**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 October 2017.
**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 for 1 April 2017 determined by value on 1 April 2012 (or purchase if later)
- Band for 1 April 2018 determined by value on 1 April 2017 (existing properties must be revalued)

<table>
<thead>
<tr>
<th>Band</th>
<th>Amount of tax 2017/18</th>
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<tbody>
<tr>
<td>£500,000 - £1m (since 1 April 2016)</td>
<td>£3,500</td>
</tr>
<tr>
<td>£1m - £2m (since 1 April 2015)</td>
<td>£7,050</td>
</tr>
<tr>
<td>£2m - £5m</td>
<td>£23,550</td>
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<tr>
<td>£5m - £10m</td>
<td>£54,950</td>
</tr>
<tr>
<td>£10m - £20m</td>
<td>£110,100</td>
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<tr>
<td>£20m</td>
<td>£220,350</td>
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</tbody>
</table>
Our Team

“Charles Russell Speechlys is ‘top class in all respects’.”
Legal 500 EMEA, 2015

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.

Simon acts for a variety of corporates, financial institutions, government and quasi-government entities, high profile individuals, contractors and consultants across the GCC. He has also advised on the financing of acquisitions and developments using both conventional and Islamic finance structures.

Kelly Dunn, Legal Executive
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 over 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.

Kelly is a Fellow of the Chartered Institute of Legal Executives.
Contact

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