

Introduction

On 21 March 2012, a number of tax measures and proposals were announced in the UK Budget. This information sheet outlines the most important changes that affect non UK residents and non UK domiciled persons, with particular emphasis in relation to ownership of UK Residential Property.

High Value Residential Property

• Stamp Duty Land Tax (SDLT)

SDLT is generally payable on the purchase or transfer of property or land in the UK where the amount paid is above a certain threshold (currently £125,000). The SDLT for natural and non-natural persons has been amended as follows:

- **For natural person owners (i.e. individuals): SDLT increases from 5% to 7%**
As from 22 March 2012 a new rate of 7% will be applied on the acquisition of residential properties of more than £2 million ("High Value Properties"). The previous rate of 5% remains in place and applies in cases of acquisitions between £1 million and £2 million.
- **For non-natural persons owners (e.g. companies): SDLT at 15%**
As from 21 March 2012 the rate of 15% SDLT will be applied on the acquisition of residential property costing more than £2 million by non-natural persons (e.g. companies, collective investment schemes and partnerships).

Note: The SDLT is charged on the basis of the total price. E.g. The SDLT charge in respect of a property bought for £4 million by a natural person will be £280,000 (£4m @ 7%); and if bought by a non-natural person the resulting SDLT charge will be £600,000 (£4m @ 15%).

• Annual Charge

As from April 2013, residential properties valued at over £2 million, owned by companies (and other non-natural persons) will be subject to an annual charge as per the table below.

Property Value	£2m to £5m	£5m to £10m	£10m to £20m	Greater than £20m
Annual charge	£15,000	£35,000	£70,000	£140,000

• Capital Gains Tax (CGT)

As from 6 April 2013, the Government plans to extend the CGT charge on gains from the disposal of UK residential property (and shares or interests in such property), owned by non-resident non-natural persons (e.g. companies and other body corporates). At the moment no clarification has been given as to whether this measure will only affect high value properties of more than £2million.

Note: The Annual Charge and CGT measures described above shall be legislated after they are introduced in the Finance Bill of 2013.

Planning ahead:

- In light of the above changes, affected persons currently owning or planning to acquire such high value residential properties are strongly recommended to obtain UK professional advice and plan accordingly.
- Furthermore, in relation to the Annual Charge and CGT measures, there is time for ample tax planning for existing structures as these provisions will not come into effect until after April 2013.

Statutory residence test

A statutory definition of tax residence for individuals will be introduced as from 6 April 2013. In a nutshell, an individual will NOT be considered as a UK tax resident if he/she spends less than 45 days in the UK per annum. Beyond the 45 days rule, a four factor test will be applied.

Remittance basis rules

There have been various proposed amendments that are expected to come into force. These mainly apply to UK non-domiciled individuals. Persons falling within this category may consider consulting a UK professional accordingly.

Anti-Avoidance rules

General Anti-Avoidance Rule (GAAR): The UK Government is expected to introduce within the Finance Bill of 2013 a GAAR to address artificial and abusive tax avoidance schemes and structures. The burden of proof for such cases would lie with HMRC.

Controlled Foreign Companies (CFC): The Finance Bill of 2012 introduces a new CFC regime. CFC rules will apply where an overseas subsidiary is controlled from the UK and/or if the activities of the company are carried out from within the UK. The new rules will be effective for CFCs with accounting periods beginning on or after 1 January 2013. The CFC effect is that the profits of the overseas subsidiary are assessed at the level of its UK parent.

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist in this respect. Please do not hesitate to contact us.