

Holding Structures for Foreign Investors in UK Commercial Property

This note assumes the foreign investor is an individual and has no connections with the UK (technically speaking is neither UK tax resident nor UK domiciled).

Foreign investors considering investing in UK commercial property need to consider:

- UK source income is taxable no matter where the recipient of the income is resident,
- Inheritance Tax (“IHT”) as UK situated assets are liable to IHT;
- Stamp Duty Land Tax (“SDLT”) which is charged on the transfer of real property; and
- Capital gains or corporation tax on a future sale of their interest in the property.

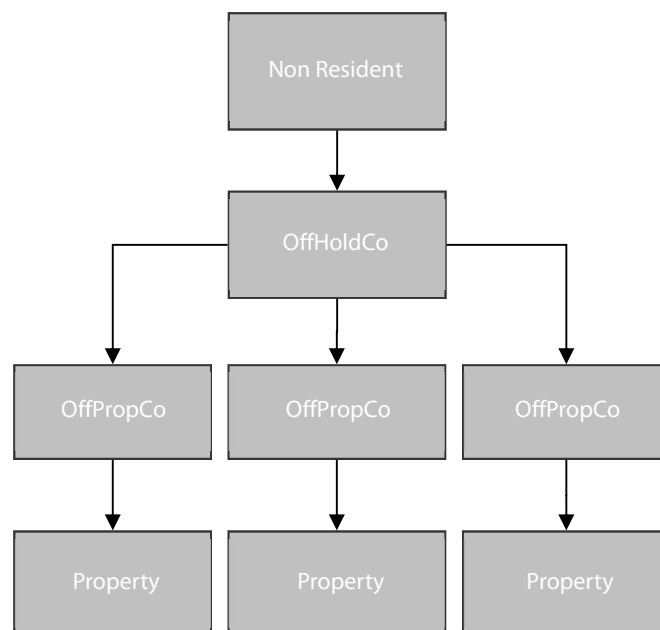
A typical holding structure for UK commercial property

The IHT exposure is dealt with simply by interposing a non UK incorporated and resident company between the foreign investor and the property itself.

There are no provisions that “look through” the corporate so the investor owns shares in the company which is a non UK situated asset which, for a foreign investor, is outside the scope of IHT.

From 6 April 2020, corporation tax will arise on any rental profits derived from the property ownership. Therefore in the typical holding structure an OffHoldCo will lend on commercial terms (i.e. at interest and appropriate loan to value) to each OffPropCo.

The taxable rental profits are after interest charges and in this way tax payable may be minimized (subject to certain restrictions). OffPropCo would only account to HMRC for tax on the net profits on an annual basis.



“OffHoldCo” = Offshore Holding Company

“OffPropertyCo” = Offshore Property Company

On a disposal of the property, the sale of the relevant OffPropCo (instead of the property itself) will avoid SDLT. This is most likely to be attractive to a buyer who is himself a foreign investor.

On disposal either of OffPropCo or the property itself, only the profit arising post 5 April 2019 would be subject to UK tax.

Our Services

We can establish a holding structure, designed to meet your individual objectives and requirements and can provide a range of support services to ensure that your structure is correct and runs efficiently.

Our services include:

- **Company Formation**
- **Company Administration**
- **Provision of officers, i.e. Directors, Secretary, Registered Office**
- **Bookkeeping and Financial Accounts**
- **Tax Compliance and Consultancy**

Contacts

Stewart Fleming

+44 1624 689600

stewart.fleming@abacustrustgroup.com

Kevin Loundes

+44 1624 689608

kevin.loundes@abacustrustgroup.com

No action should be taken on the basis of this note, nor should it be construed as amounting to tax, legal or VAT advice. Suitable and professional advice should always be obtained before entering into transactions of this kind.

About Abacus Trust Group

We are a leading fiduciary and professional administration services specialist based in key jurisdictions.

As an independent and privately-owned group of companies, our principle of applying integrity, independence and insight to meet our clients' requirements has gained us recognition as a leader in our field.

We provide premier onshore and offshore solutions to an international client base, delivered by a team of multi-disciplined, multi-lingual, resourceful and innovative professionals

Abacus Trust Company Limited and Abacus Financial Services Limited are licensed by the Isle of Man Financial Services Authority
Abacus Corporate Services Limited is authorised by the Malta Financial Services Authority to provide trustee and other fiduciary services
Abacus Tax Limited is registered as a designated business with the Isle of Man Financial Services Authority.