FACTSHEET

UK Property Investment and Tax — a guide for non UK Residents

If you are looking to buy property, whether as your home or as a long-term investment, the UK property market offers some attractive acquisitions.

But for prospective purchasers who are non UK resident for tax purposes, there are a number of things to consider, not least of which is UK tax legislation.

As such, these may have an impact on your decision as to whether to buy the property personally or whether to purchase through a Special Purpose Vehicle (SPV). Examples of SPVs might be a UK based limited company or trust structure, or an offshore based limited company or trust structure.

The notes below are based on the assumption that the property acquisition is an investment rather than a second home.

Domicile and Residence

Determining your country of domicile for tax purposes is relatively straight forward. Determining whether you are UK resident for tax purposes or not, however, can be quite complicated. H M Revenue & Customs has published 105 pages of useful information on the subject and full details can be found on their website!!!

Why is this important? Because if you are not UK resident for tax purposes, it is possible to structure your tax affairs in a more beneficial way.

Property investment and tax

For non UK Resident investors, the main UK tax considerations are:

- Stamp Duty Land Tax (SDLT) on the purchase price
- Income tax on rental income
- Capital gains tax (CGT) on sale of a property, and
- Inheritance tax (IHT) on a lifetime gift of property and on death

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Stamp Duty Land Tax (SDLT)

SDLT is levied on the purchase of all UK properties. Current rates for buy to let residential property up to 31 March 2025, are:

Value up to £250,000	5%
£250,001 to £925,000	10%
£925,001 to £1.5 million	15%
Over £1.5 million	17%

Rates applicable from 1 April 2025, are:

Value up to £125,000	5%
£125,001 to £250,000	7%
£250,001 to £925,000	10%
£925,001 to £1.5 million	15%
Over £1.5 million	17%

The rates in the tables above include a 5% surcharge that is levied when purchasing a second property. This increased on 31 October 2024, prior to this date an additional 2% surcharge was levied.
There is an additional 2% surcharge that is levied where the purchaser is not UK resident.

There is a flat rate charge of 1 % on residential leases over £250,000 (reducing to £150,000 on 1 April 2025) and non-residential leases over £150,000. The value is calculated by reference to the net present value of the rent on the new lease. Where the value of the lease is in excess of £5m, the rate is 2%.

Current rates for non-residential or mixed use land or property are:

Under £150,000	0%
£150,000 to £250,000	2%
Over £250,000	5%

Income tax

UK income tax in the year ending 5 April 2025 (subject to a personal allowance of £12,570 if total income is no more than £125,140)

< £37,700	20% then
<£150,000	40% then
>£150,000	45%

There are different rates for dividends paid by businesses.

As a non-resident landlord, unless you have had authority from H M Revenue & Customs to receive your rental income without deduction, a withholding tax of 20% will be retained from your net rental income before you receive it. This responsibility is invariably undertaken by your UK estate agent or the tenant directly.

For a company, net rental income is subject to corporation tax at a rate currently of between 19% and 25%. Limited companies do not have a personal allowance.

A non UK resident investor will also have obligations to fulfil in their country of tax residence. You should seek professional tax advice both in the UK and your country of residence and/or domicile to ensure that you fully declare your income and comply with all your taxation obligations.

Capital Gains Tax (CGT)

H M Revenue & Customs legislated with effect from 6 April 2015 to close a previous loophole whereby non UK resident individuals were not subject to CGT on the sale of residential properties. This law has now been changed, meaning that in most cases, CGT will be charged on the disposal of the property, should any profit on sale arise. CGT is only charged on the uplift in value of the property from 6 April 2015 to the date of disposal.

There is an obligation to report capital gains on property sales and to pay any capital gains tax due, within 60 days of the date of sale.

The position is different if you sell shares in a limited company, so the choice of ownership decision is crucial.

In addition, there are some anti-avoidance provisions that also need to be considered.

Inheritance Tax (IHT)

If your property is held in your own name, in the event of your death, it will be subject to UK IHT regardless of your domicile or residence. Exemptions may apply, for example if your property is passed to your surviving spouse under the terms of your will or under the inheritance laws of your country of domicile.

Provisions can be made to cover the IHT liability with insurance. It may be possible to purchase your investment through a more tax efficient structure though this requires specialist advice as legislation is continually changing.

You may also want to consider the current terms of your Will and may need to take both tax and legal advice in the UK and your country of domicile to avoid international probate problems and delays in obtaining control of the property by the heirs. IHT rates can be as high as 40%.

For more information

If you own, or are considering purchasing, property in the UK and you are not currently UK resident, it is vital that you are aware of the tax laws and how they apply to you. This is a complex area and whether you are seeking access to income or capital growth will have a major impact on the decision as to how you own your property.

Contact us today to discuss your individual circumstances:

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