

Non-UK Resident Company Landlords – The UK Tax Changes from 6th April 2020

1. We summarised recent changes to the taxation of UK property held by Non-UK Resident Companies in an earlier Briefing Note: [‘Non-UK resident corporate landlords’ new charge to Corporation Tax from April 2020: Are you ready?’](#). This highlighted that such Companies would be charged to Corporation Tax on their property income from 6th April 2020 rather than being charged to Income Tax as was the case previously. The rules for others, e.g. Individuals, Individual Trustees and Corporate Trustees (including PTCs) of Trusts will, of course, remain unchanged, so they will continue to be liable to Income Tax on any property income as before.
2. With the new rules now in force we have encountered some confusion with clients over the implementation of the changes particularly in relation to the Non-Resident Landlord Scheme (“**NRLS**”). For those already in the NRLS we can confirm this regime will continue in accordance with [HMRCs guidance](#) originally published on 15th January 2020.
3. For those already registered, Landlords will be familiar with the NRLS. Under this regime a Tenant making rental payments (or, if an Agent whose usual place of abode is in the UK has been appointed to collect the rent and pay it to the Landlord, that Agent) is required to withhold the tax and account for the same on a quarterly basis to HMRC. Landlords may have registered with HMRC to receive rental payments gross without deduction of tax (but will have been liable for Income Tax under Self-Assessment).
4. HMRC will automatically register all Non-Resident Company Landlords who are registered under NRLS and will send them a Company Unique Taxpayer Reference (“**UTR**”). Companies need to contact HMRC if they have not received a UTR by 30th June 2020 or if they already have a Corporation Tax UTR. Agent authorisations will not transfer and you will need to submit a new authorisation form to allow an Agent or Advisor to deal with the Corporation Tax on your behalf. Agents should therefore ask clients to forward correspondence from HMRC including the relevant UTR to enable them to deal.
5. There are transitional rules that will need to be taken into consideration when calculating Corporation Tax if you have an existing UK property business. Your first accounting period for Corporation tax will initially be set to start on 6 April 2020 and end on 5 April 2021 but if your Company’s annual accounts are not prepared to 5 April HMRC will need to be notified. Failure to notify HMRC of a different account date could lead to penalties for late filing. Corporation Tax is calculated in the ordinary way and rental income would be reduced by allowable expenses, including interest. In general, this should not materially affect the ability of Landlords to claim a deduction for all interest payments in most cases although the corporate interest restrictions regime now applies as set out in our earlier Briefing Note.

6. As indicated above, if approval has not been given from HMRC under the NRLS Regime for a Non-UK Company Landlord to receive rental income gross, the letting agents (or tenant where appropriate) must calculate the tax due at 20% and pay it to HMRC on a quarterly basis. The rate of withholding tax will be 20%, notwithstanding that such company landlord will be subject to Corporation Tax (which is currently payable for Tax Year 2020/2021 at 19%). Under these circumstances, Non-Resident Company Landlords are entitled to make a reclaim to HMRC for the excess tax paid. This will be significant due to allowable losses and therefore the importance of making such a reclaim cannot be overstated.
7. If you start a UK property business on or after 6 April 2020, you will need to notify HMRC that you will be paying Corporation Tax. HMRC will then register you for Corporation Tax and you will be required to file returns online. A Non-UK Resident Company Landlord will not be required to register for Corporation Tax and file a Corporation Tax return for an accounting period if:
 - (i) its liability to Corporation Tax is fully offset by tax deducted by NRLS; and
 - (ii) it has no chargeable gains for that period.

In practice, most Landlords will be expected to continue to register with HMRC to allow rental payments to be received gross without a tax withholding.

For further guidance on these measures, please contact [Robert Drysdale](#) or a member of our [Wealth Planning](#) team:



Karen Methold
Partner
Head of Wealth Planning
+44 (0)20 7689 7112
kmethold@rooks rider.co.uk



Christopher Cooke
Senior & Managing Partner
Corporate & Wealth Planning
+44 (0)20 7689 7110
ccooke@rooks rider.co.uk



Robert Drysdale
Associate
Wealth Planning
+44 (0)20 7689 7168
rdrysdale@rooks rider.co.uk



James John
Partner
Real Estate and Wealth Planning
+44 (0)20 7689 7152
jjohn@rooks rider.co.uk



Anthony Shalet
Partner, Head of Real Estate
Real Estate
+44 (0)20 7689 7143
ashalet@rooks rider.co.uk



CREaTe

Rooks Rider Solicitors LLP
CentralPoint
45 Beech Street ■ London ■ EC2Y 8AD

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