HIGGS & JOHNSON
Counsel & Attorneys-at-Law

BAHAMAS | CAYMAN ISLANDS

Do you own UK residential property through an offshore company?

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If you own UK residential property through an offshore company, it is important to be aware of the tax changes in the UK which may impact your offshore company's tax exposure.

The Annual Tax on Enveloped Dwellings ("ATED") was introduced in 2013 and is payable where UK residential property is owned by an offshore company and not rented out to a third party. It is designed to deal with property owners who purchase UK residential property for speculative purposes or for use as a residence for family or friends. The tax applies to properties valued at over £500,000 and the amount of tax will depend on the value of the property.

ATED Capital Gains Tax ("ATED CGT") will apply to any person who makes a disposal of UK residential property which has, during its ownership, been subject to the ATED charge for one day or more. The most common scenario where ATED CGT will apply is to an offshore company disposing of a property valued over £500,000 in April 2012 which has been held for personal use. The rate of the ATED related CGT is currently 28%.

In April 2015, Non-Resident Capital Gains Tax ("NRCGT") was introduced which applies much more widely than ATED CGT and applies to all non-resident persons (individuals, corporations, trustees etc.) on the disposal of UK residential property. Where NRCGT applies, the rates are 20% for companies, 18% or 28% for individuals (depending in taxable income) and 28% for trustees.

Additionally, since April 2017, inheritance tax (currently 40%) is charged on the net value of residential property held within by offshore company on the death of the shareholder. This is in addition to any ATED paid throughout the company's lifetime.

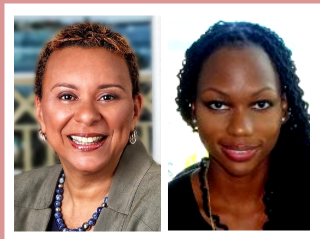
Since offshore companies are now caught by the changes to the UK tax rules, offshore company owners may wish to examine their current structures to determine whether they are tax efficient.

Higgs & Johnson will be able to assist trustees or individuals in creating UK tax efficient structures by working closely with a UK Law firm to:

- determine in a particular case, tax implications of owning UK residential property through an offshore company;
- advise on more efficient tax structures; and
- transfer property from an offshore company to a new, more tax efficient structure.

Higgs & Johnson from either the Cayman Islands or The Bahamas will:

- liaise with the UK law firm for the advice set out above;
- assist in liquidating the offshore company, if necessary; and
- if feasible, establish a new offshore structure such as a trust, for future ownership.



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