Changes to Corporation Tax for Non-Residents

- Summary of the changes from 6th April 2020 onwards
- Impacts to non-resident entities, including non-resident landlords
- Changes to non-resident companies holding land or assets

In recent years the UK government has significantly changes the tax landscape in relation to both residential and commercial property. These changes have included increasing the scope of CGT for non-residents, introducing ATED and the changes to taxation for the sale of company shares in companies that hold significant amounts of property.

Who does this impact?

The individual shareholders and directors behind non-resident companies, those who hold family wealth via a company or similar structure, trustees, investors, fund and wealth management companies should also be aware of the full scope of these changes.

Headline changes:

- The effective rate of tax is reduced from 20% to 19%

- The filing deadline is no longer in like with the tax year end, but is instead aligned to the usual corporate tax filing deadline, being 12 months from the end of the accounting period

- Payment of tax is due 9 months and 1 day after the end of the accounting period or quarterly instalments

- Finance cost deductibility has changed. This was previously deductible if the loan and interest could be shown to have been paid on a commercial basis. This is now restricted and assessed under the corporation tax loan relationship rules. In addition, the corporate interest restriction and hybrid mismatch rules may apply. This can result in only a portion of the interest being deductible against the rental profits for a corporate non-resident landlord.

- Losses previously could be carried forward and offset against future profits of the same trade. Property losses arising from non-resident landlords can be offset against future property income (a transition to allow losses to move from the income tax regime to a corporate regime has been included in these new rules). However, these losses cannot be offset against non-trading income, gains or subject to group relief claims. This also means that they cannot be offset against any gains within the company.

- Chargeable gains will now be assessable to corporate tax and reported via the return and gains will not need to be reported within 30 days of completion, which is currently the case with individual taxpayers, resident or non-resident.

- A new Unique taxpayer reference number will need to be obtained for entities moving from the previous filing regime to a corporate filing regime.