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U.K. Tax Alert

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Real Estate Capital Gains Tax for Non-U.K. Residents

From April 2015, nonresidents will have to pay capital gains tax (CGT) on gains made from residential property sales in the United Kingdom, George Osborne announced today.

Little detail is currently available on how this CGT extension will apply. However, it appears that it will take effect from April 2015 and should apply to only residential (rather than commercial or investment) property.

A consultation on how to introduce the new CGT charge is to be launched, the findings of which will be published in early 2014.

Until then, a number of key points remain unclear, including:

- whether the new CGT charge will apply to only capital growth after April 2015 (i.e., effective re-basing of property values from that date)
- how it will interact with the recently introduced ______________ (ARPT) provisions
- the availability of principal private residence relief to mitigate any new CGT charge
- whether the new CGT charge will apply to only properties acquired after April 2015 (though it seems that the intent is for it to apply to residential properties owned prior to that date).

These changes are likely to affect (primarily) non-U.K. resident individuals and trustees, since the ARPT rules highlighted above have already been introduced for companies disposing of U.K. residential properties.

Such taxpayers should begin to consider how best to respond to these developments. For example, with appropriate planning prior to implementation of these legislative changes, it may be possible to realise capital growth or re-base property values, in each case, on a tax- neutral basis.

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