Non-resident corporate landlords with UK property – Tax

TAX ON UK PROPERTY BUSINESSES - WHAT'S CHANGED?

From 6 April 2020 all non-UK resident corporate landlords (NRCLs) have been brought under the Corporation Tax rules and filing requirements. This means the end of paper tax returns for NRCLs and a requirement to file corporate tax returns and tagged accounts under iXBRL.

Below is a summary of the changes:

Tax rates and filing requirement changes

A final non-resident company income tax return (SA700) will be required to be filed by 31 January 2021. This will cover the period 6 April 2019 to 5 April 2020. Thereafter UK Corporation Tax returns will be required.

PRE 6 APRIL 2020	FROM 6 APRIL 2020
Income Tax – 20%	Corporation Tax – 19%
Taxable profits calculated under income tax principles	Taxable profits calculated under corporate tax principles
Paper tax return	On-line tax return filing Accounts to be “tagged” under iXBRL – to be filed with return
Filing date 31 January after relevant tax year	Filing date 12 months after the accounting period end

Tax payment date changes

Also, the tax payment dates change under the corporate tax system, as follows:

PRE 6 APRIL 2020	FROM 6 APRIL 2020
Tax payment date 1st payment on account – 31 January in relevant tax year 2nd payment on account – 31 July after relevant tax year Balancing payment – 31 January after relevant tax year (with last payment under IT regime being 31 January 2021)	Tax payment date 9 months and 1 day after accounting period OR If "large" – quarterly instalment payments (QIPs) – 2 due before end of accounting period

Penal Corporation Tax rules impacting NRCLs

- Corporate interest restriction (CIR) for tax purposes
    - Applies where company/group (if applicable) has >£2m p.a. of net interest expenses
    - Limits tax relief for finance costs & interest to 30% of taxable profits above the £2m p.a.
- Loss relief restriction
    - Carried forward losses against taxable profits>£5m p.a. restricted for tax relief
    - Carried forward loss relief for profits >£5m p.a, restricted to 50% of the profits

But losses generated under the corporate regime can be used more flexibly.

HOW BEAVIS MORGAN CAN HELP

Beavis Morgan can offer specialist advice to support your property business through this transition and beyond.

We can assist with:

- CT online registration with HMRC
- Acting as CT agents with HMRC to deal with all correspondence
- Preparing the CT tax computation and return – file with HMRC

- iXBRL tag the accounts - file with HMRC
- Advising on new tax payment dates (including QIPs if applicable)
- The transition period – apportion profits under the different tax rules (IT and CT)
- Consider whether the CIR will apply and plan
    - Consider whether carried forward loss restrictions will apply and plan
    - Prepare tax payable cashflow projections based on the aforementioned restrictions (CIR and losses)
    - For groups of companies we can advise on:

        ⟹ the applicability of the CIR group ratio method

        ⟹ transfer pricing documentation requirements and adjustments on group finance costs, and

        ⟹ thin capitalisation restrictions on tax deductible interest costs.

For a no obligation discussion, please contact Fiona Cross, Tax Partner

T. 020 7549 2404
E. fiona.cross@beavismorgan.com
beavismorgan.com

HEAD OFFICE
82 St John Street
London
EC1M 4JN
020 7417 0417

BeavisMorgan.
Accountants | Tax | Business Advisers