



Beneficial ownership register



In a further move to increase transparency around the ownership of assets, details of the long-anticipated register of beneficial owners of overseas companies (and other legal entities) owning UK real estate have now finally been released.

It is intended that draft legislation will be published in summer 2018 with the public register itself going live in early 2021, which the Government claims will be the “first of its kind in the world”.

Whilst further details are likely to become clearer in the forthcoming months, the Government has indicated that the register will contain certain identifying details of the beneficial owners of all non-UK companies and other non-UK legal entities holding UK residential and commercial property.

Following the many changes to the taxation of UK property held by offshore entities in the last few years, the introduction of the public register is a further deterrent for property to be held in such structures.

Who is impacted?

All non-UK companies and other non-UK legal entities currently owning or making future purchases of UK property will be required to provide details of their beneficial owners.

Broadly, a beneficial owner is an individual who can benefit or exercise control over the entity and the assets it holds. If the entity holding the property is within a widely controlled offshore structure, such that there is no ultimate beneficial owner with control, the ‘managing officers’ will instead need to register.

The Government’s intention is that the definition of a beneficial owner will be aligned with that of a ‘person with significant control’ —an

individual who directly or indirectly holds more than 25% of the shares or voting rights, or has the right to appoint or remove the majority of the board of directors. The following information relating to a beneficial owner will be published on the register:

- name, date of birth and residential address
- nationality and country of residence
- a service address
- the date the individual became registrable
- the nature of the individual’s control over the non-UK entity

Importantly, the Government have indicated that settlors, trustees and beneficiaries of trusts owning UK property should be excluded from the scope of the new register, as publishing details of such individuals would not be proportionate and could undermine privacy. This is a welcome relaxation, but how it will work in practice remains to be seen.

Why is the register being introduced?

Coupled with the introduction of Unexplained Wealth Orders, the public register is a strong affirmation of intent by the government to promote corporate transparency and limit economic crimes such as money laundering.



Reflecting the Government's stance, the penalties for failing to comply with the new rules are penal. By way of an example, if a UK property is purchased but the owner fails to provide the relevant information of the beneficial owner, applications to register the change in legal title will be rejected until such time as the information is provided.

What action is now required?

The introduction of a publicly accessible register will undoubtedly deter some individuals from purchasing UK property through non-UK entities, and will potentially remove the privacy that using a holding company allowed.

Following the introduction of the Annual Tax on Enveloped Dwellings regime, changes to the Inheritance Tax treatment of UK residential property and the current consultation on widening the scope of Capital Gains Tax for 'property-rich' companies, the tax benefits afforded to such structures have been largely eroded.

Accordingly, and whilst there may continue to be other non-tax reasons for holding property through offshore structures, it will be important that existing ownership structures are reviewed to determine their ongoing effectiveness.

For further details on the register and how we can assist, please contact us using the details listed below.



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