

Taxing gains made by non-UK residents on UK property or land - a further update regarding collective investment vehicles

Synopsis: Non-UK residents are subject to capital gains tax on direct or indirect disposals of UK property or land. HMRC has recently updated its guidance about indirect disposals involving 'connected persons' and collective investment vehicles.

Date published: 25.04.2023

HMRC originally provided some guidance on this in November 2018. At that time, non-UK residents were only taxable on disposals of UK residential property. The tax charges for non-UK residents were extended to disposals of all UK property from 6 April 2019.

This [latest guidance](#) includes further information about indirect disposals involving 'connected persons' and collective investment vehicles.

An indirect disposal occurs when a non-UK resident sells shares in a company that derives 75% or more of its gross asset value from UK land (a property rich company), and the person making the disposal has an investment of at least 25% in that company which holds UK land as an investment.

'Connected persons' (such as spouses, civil partners or some descendants) are also included when working out if a person has an investment of at least 25%. You can find out more about the definition of a 'connected person' in [CG73936 of the HMRC Capital Gains Manual](#).

If a non-UK resident sells units in an investment fund which owns UK land, the special rules for collective investment vehicles might apply. These rules may mean that they have to pay capital gains tax (CGT) even if they own less than 25% of the investment fund. Please see [here](#). You can find out more about collective investment vehicles in [CG73995P of the HMRC Capital Gains Manual](#).

The gains on indirect disposals will be calculated using the value of the asset being disposed of, rather than the value of the underlying UK land.

Indirect disposals do not apply when...

- Land used in a continuing trade is also disposed of.
- Two or more companies are sold at the same time by the same investors and the property richness test would not apply if the disposals were taken as one transaction — you can read more information about [property richness](#).

020 7183 3931
www.riskassured.co.uk