BOURNER BULLOCK
Chartered Accountants

JPA INTERNATIONAL

Important Changes in Tax Affecting Non-Resident Landlord (NRL) Companies (May 2021)

NRL companies will have to complete and submit a UK Corporation Tax return and pay Corporation Tax on rental profits from 6 April 2020.

Position prior to 6 April 2020

Where an NRL Company carries on a UK property business, they were required to submit a UK paper tax return under Income Tax Self-assessment rules for the UK Tax Year ending 5 April. The filing date was 31 January following the end of the tax year, with companies required to pay two income tax instalments. The final Self-Assessment return filing and income tax payable under the old regime was 31 January 2021.

From 6 April 2020

NRL companies must now disclose their taxable profits under UK Corporation Tax rules, using the existing accounting reference date for filing. As a result, there may be an overlap for the first year of operation if the accounting reference date straddles 5 April 2020. The start of the accounting period to 5 April 2020 is reported under the Self-Assessment Income Tax rules and the period from 6 April 2020 to the end of the end of the accounting period is now reported under Corporate Tax rules. There will be two tax systems in operation during the first transition period resulting in different taxes being paid at different times.

Reporting under the scope of Corporation Tax (CT)

The new regime commenced on 6 April 2020 and applies to company accounting periods ending after this date. Corporation Tax returns are submitted electronically, and reporting deadlines and tax payment dates are based on the accounting date to which a company prepares these accounts.

A Corporation Tax Return (CT600) must be submitted within 12 months from the end of the company accounting period and CT paid by the end of the 9th month after the accounting period.

Currently CT is charged at 19%.

Under the CT regime a company is required to prepare its annual financial statements or a set of accounts. These accounts along with a tax adjusted calculation showing the amount of property business profits subject to CT, must be submitted to HMRC. The CT return and accounts must be submitted electronically to HMRC in iXBRL format within 12 months of the accounting period end.

The NRL company is subject to Corporation Tax deduction rules.

Key points

- UK Corporation Tax rules apply in computing the profits chargeable to CT or to losses arising, including the deduction of loan interest.

- HMRC generated new Unique Tax Reference (UTR) number for each company that submits Tax Returns under the old regime. The company will have been notified of the new tax reference in early 2020. If no such number was received by 30 June 2020, then the company needs to contact HMRC immediately to ensure that a record has been set up. We can do this on your behalf.

- HMRC will initially set the record up for a company accounting reference date as ending on 5 April. HMRC will expect the first submission of accounts and tax return for the accounting period ending 5 April 2021.

- Once the new UTR number is received, the company must notify HMRC in writing of its actual reference date, if this is not 5 April, the date to which it prepares its annual accounts under local jurisdiction of the company formation. This is so that HMRC can set up the correct filing date otherwise interest and penalties could arise. We can deal with this on your behalf once we have been re-appointed as tax agent under the new regime.

- We as your tax agent will need to submit fresh authorities to continue to act on the company's behalf and will also issue a new Corporation Tax engagement letter.

Company Accounts

The company must prepare and submit accounts made up to its accounting reference date, being the date, its accounting period ends in the jurisdiction of the company formation. This reference date must be notified to HMRC to ensure that the correct filing dates are recorded. If the company has no accounting date, then the reference date of 5 April can be adopted for CT purposes.

The CT600 is electronically filed with HMRC together with either (1) statutory accounts in iXBRL format or (2) if the jurisdiction in which the NRL Company is incorporated does not require statutory accounts to be prepared, then the profit and loss account must be prepared and submitted with the CT600.

Capital Gains Tax

Separately from the above rules, Non-resident companies must notify a disposal/transfer of a property that is subject to UK Capital Gains Tax under the CT regime. Any tax must also be paid within the CT deadlines as above. This applies to UK residential properties based on values at 6 April 2015 at sale or transfer. All other UK properties and land owned by a non-resident company came into charge from 6 April 2019 and a market value, at these dates, must be held for future disposals.

If a company does not have UK tax Reference, it must register for CT to report Capital Gains within 3 months of the disposal/transfer.

If there are any matters arising from these changes, please contact us on 020 7240 5821 or email at bb@bournerbullock.co.uk