# Overseas Investor in UK Property?

**...try an Overseas Pension!**

These days, on top of a raft of other taxes, non-UK residents seeking to invest in UK property have to contend with the possibility of their investments suffering an IHT charge in the event of their untimely demise. This is the case if the property is held directly or through most traditional holding structures, however, IHT does not apply if property assets are held in an overseas pension because of HMRC's clear position that such schemes are an excluded asset for IHT purposes where non-UK residents are concerned.

There are a number of overseas schemes, particularly in the Isle of Man, that meet the required criteria and whose trustees have the requisite skills and experience to hold and administer what can be quite a complex asset class, in relative terms, for a pension arrangement.

It is important to remember that these are regulated pension schemes which exist to pay relevant pension benefits. That means no access to the investments until retirement age which, in turn, means that capital gains will roll-up until then. So for private clients under the age of 55 seeking short-term development profits or immediate income from property the pension arrangement may be unsuitable. However, for those non-residents who have a penchant for UK property and a longer-term investment outlook, an overseas pension may well be ideal.

The IHT advantage inherent in an overseas pension is a clear one but there are other benefits besides. The Isle of Man has a robust regulatory framework for retirement benefit arrangements where schemes and their administrators are rigorously vetted and monitored. The asset protection laws are extremely robust and trust professionals based there have decades of experience in UK property investments. International investors in UK property can do so using an Isle of Man pension trust with ultimate confidence.

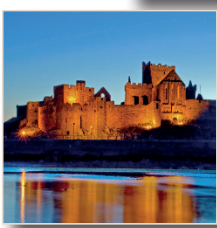
Importantly, there is no upper limit as to the value of contributions to many of these schemes and it is possible to transfer an existing portfolio by way of contribution.

Being a pension, members will have to take retirement benefits at some stage, usually, age 75 but this can be flexibly arranged so that it is more income than capital. Indeed, it should be possible to take benefits on what is now known as a flexi-access basis and this, potentially, facilitates the in specie transfer of assets to members at retirement age. The benefits could be made in single payment, if desired, and are made gross of Isle of Man income tax but may suffer tax in the member's home country depending on the prevailing tax laws there. In any event there will be no double-taxation.

The pension trustees should be able to structure property so that stamp duty land tax and, for residential property, the annual tax on enveloped dwellings are within the available exemptions. Residential property in a properly structured overseas pension will also gain from a statutory exemption from the recently-introduced non-resident CGT charge in the UK.

So, although efficient routes into the UK property market for international investors have been narrowing of late, there is still a very attractive way in for those with a longer-term outlook.

Non-UK sourced income not taxed



Flexi Access to benefits from 55

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