
Real Estate Tip of the Week: Corporate Transparency for Overseas Entities

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After the revelations in the Paradise Papers, it is timely to note that the UK government is proposing to create a new register ("Register") of beneficial owners of overseas entities that own property in the UK or are involved in central government contracts. The aim is to ensure that the UK property market is seen as fair, transparent and clean, to attract legitimate investors and owners and to prevent corporate vehicles being used to hide proceeds of crime or for tax evasion. Consultation on the proposals closed on 15 May 2017 and the government is considering the response. We do not yet know when the Register will be introduced, but it seems only a matter of time before details are finalised and a regime is implemented.

Summary of Proposals

- The new regulations will affect any overseas entity dealing with UK property and will apply to all commercial and residential freehold and long leasehold property. Initial proposals relate only to leases over 21 years, the intent being to catch significant interests analogous to freeholds where premiums are paid.
- The Register will be maintained by Companies House, access to the public will be free of charge. A fee will be charged to overseas entities requiring registration.
- The Land Registry will not register title of an overseas entity without a valid registration number.
- The requirement to provide beneficial ownership information will be ongoing, with a proposal that the information provided has to be updated at least every two years.
- Provision of false or misleading information in the registration process will be a criminal offence.

Practical Considerations

- Overseas entities will not be able to buy, sell, charge or grant a long lease (over 21 years) of UK property or bid on central government contracts until registered. Entities already owing property will have a period of time to register (one year is proposed).
- All other parties to a transaction (including lenders) will be concerned to check that an overseas entity is registered to enable their transaction to be registered at the Land Registry.
- Structuring of transactions will be important as overseas entities will need to consider the effect of potential disclosure of information on the Register.
- Collating the necessary beneficial ownership information and dealing with the registration could be time consuming, so early attention to the registration process will be important.

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