

## Briefing note –

# The changeover to Corporation tax for Non-UK Resident Companies

### The current position

- Offshore companies which own UK rental property, generally referred to as 'non-resident landlords' (NRLs) are currently chargeable to UK income tax on their UK property business profits under HMRC's self-assessment regime and have a self-assessment Unique Taxpayer Reference (UTR).
- NRLs, complete and file an annual Non-resident Company Income Tax return (sa700), which must be filed on paper by 31 January following the end of the UK tax year.

### What is changing?

From 6 April 2020 NRL companies will become chargeable to UK Corporation Tax on their property business profits, rather than Income Tax.

The move to corporation tax for such companies on gains has already happened, with effect from 6 April 2019.

### What happens next?

The UTR previously used for the NRL regime will not transfer to Corporation Tax. HMRC have therefore confirmed they will contact all NRL companies in writing before the end of February 2020 with details of their Corporation Tax Unique Tax Reference number (CTUTR). They will also explain actions the company will need to take straight away.

The CTUTRs will be automatically issued based on information reported to HMRC in 2017/18 sa700 returns. Where an NRL company has not filed a sa700 return for 2017/18 HMRC will contact the company separately.

### What action will the company need to take once the CTUTR is received?

- The company will be required to tell HMRC if it already has a CTUTR, or if it no longer lets out UK property, or is required to complete a different tax return that is not a sa700. This will help prevent potential duplication of Corporation Tax records.

- HMRC must also be provided with written confirmation of the NRL company's accounting period where it does not have a 5 April year end, otherwise the CT record will be set up with a default accounting period which will end on 5 April 2021. Providing this information will enable HMRC to issue 'Notices to file a Company Tax Return' at the right time and will help to avoid potential late filing penalties and interest charged on late-paid tax, which will be based on the end date of the Corporation Tax accounting period.
- The company must also register with HMRC Online Services, as the Corporation Tax return can only be filed online. This is not completed automatically and the company will need to complete this process.
- Any agent authority (64-8) which is currently in place will need to be updated to include Corporation tax matters.
- HMRC request that if no CTUTR has been received by 30 June 2020, that contact is made with them to ensure compliance matters are met.

## Our services

Fitzroy can assist you with this transition to Corporation Tax for non-resident companies and the ongoing filing obligations. In addition, there are a number of significant technical and administrative differences in the filing regime between self-assessment and corporation tax.

This could include:

- Preparation of income tax calculations and submission of the final sa700 income tax return for the year ended 5 April 2020.
- Responding to HMRC correspondence relating to the transition to Corporation Tax on behalf of the company.
- Preparation and submission of the first UK Corporation Tax computation and return, including iXBRL accounts (electronically "tagged"), plus ongoing annual Corporation Tax return preparation services as required.
- Support with making payments to HMRC on time.

**If you would like to discuss anything in this note in more detail, please contact Graham, David or Anthony directly using the contact details below.**

## Contact us

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