



HOW TO INVEST IN
UK PROPERTY
FROM THE US

About the UK market

Stability

The UK property market is undoubtedly one of the strongest in the world, and it has attracted huge numbers of investors from overseas over recent years. With robust house price growth both historically and in future forecasts, as well as excellent rental yields for those who intend to run their property as a buy-to-let, the sector is known for its long-term stability and returns outlook.

Knowledge

For US investors, buying a property in the UK can be a somewhat different process compared with buying in the states. Before you invest, it's important to be well informed on the processes and requirements, while arming yourself with the knowledge needed to maximise the profitability of your investment.

What taxes do you need to know about?

Investing in UK property from abroad brings about many of the same taxes as investing as a local, with a few variations..

Stamp duty land tax (SDLT)

All buyers of residential properties above the minimum price threshold (currently £250,000 as of 29/09/2022) must pay stamp duty. For overseas investors, including those from the US, an additional 2% surcharge is also payable.

Check <https://www.gov.uk/> for up-to-date rates.

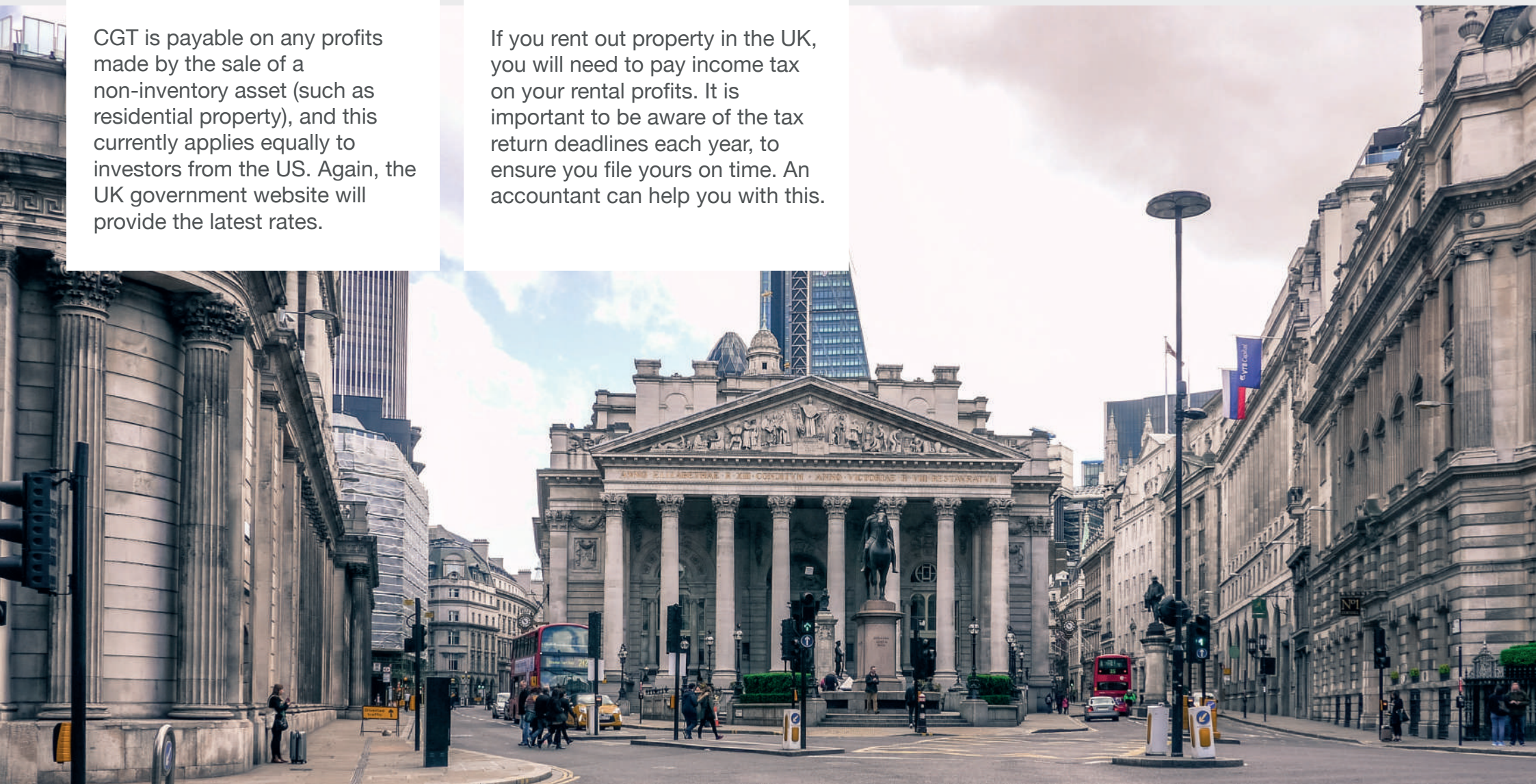


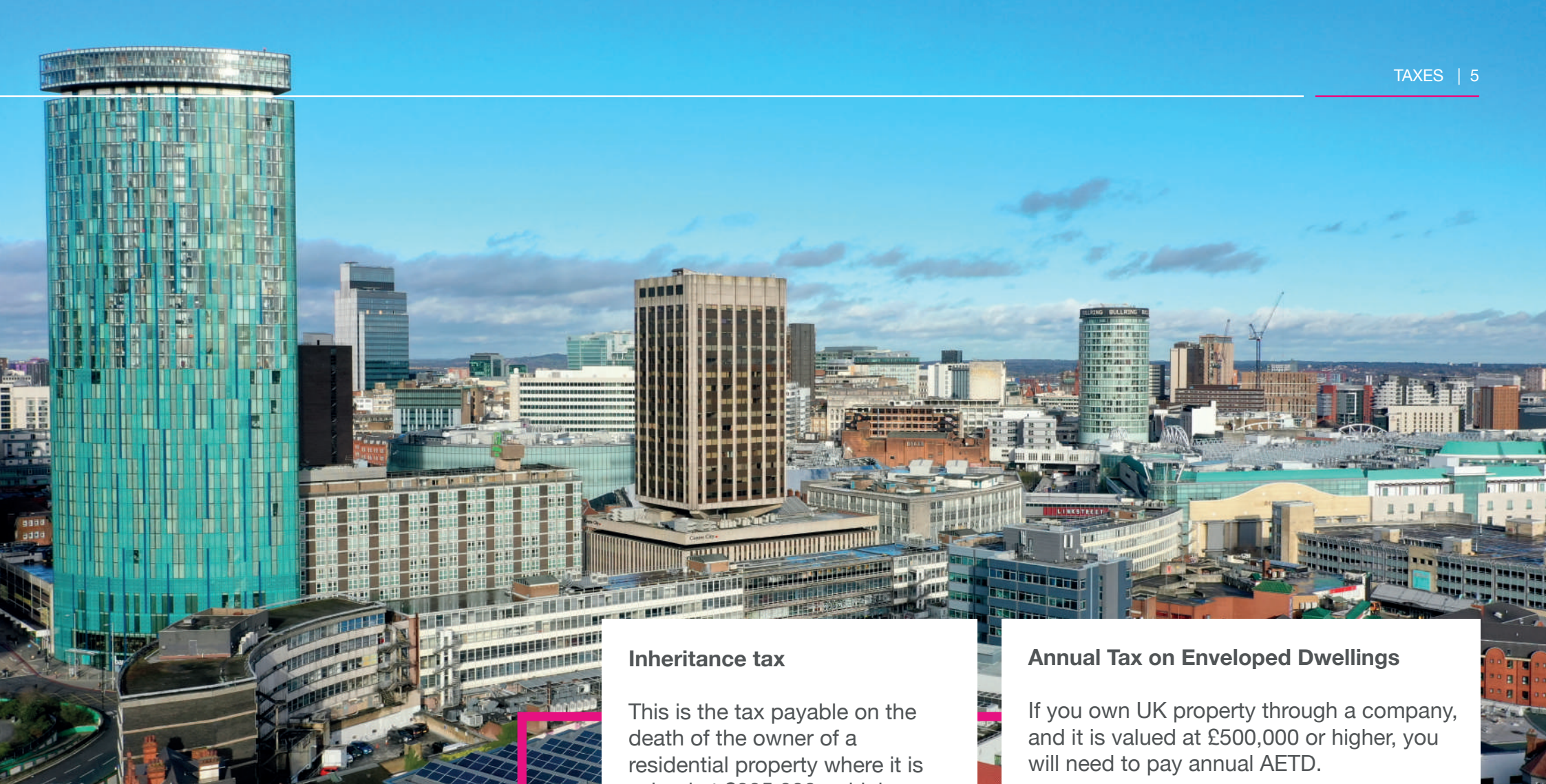
Capital gains tax (CGT)

CGT is payable on any profits made by the sale of a non-inventory asset (such as residential property), and this currently applies equally to investors from the US. Again, the UK government website will provide the latest rates.

Income tax

If you rent out property in the UK, you will need to pay income tax on your rental profits. It is important to be aware of the tax return deadlines each year, to ensure you file yours on time. An accountant can help you with this.





Inheritance tax

This is the tax payable on the death of the owner of a residential property where it is valued at £325,000 or higher.

Annual Tax on Enveloped Dwellings

If you own UK property through a company, and it is valued at £500,000 or higher, you will need to pay annual AETD.



Investing in UK property through a limited company

One way of potentially maximising your UK property investment returns is by setting up and buying through a limited company structure. This can have some tax advantages, such as being able to claim mortgage interest relief due to the fact that taxation is based on the company's profit, as opposed to based on income tax. Currently, corporation tax in the UK is 19%.

Registering a limited company as a non-resident is the same process as for a UK resident. However, while you do not have to live in the UK, the limited company must be registered with Companies House using a UK address corresponding to where the company is based. It is possible to use a PO Box as the nominated address, or a third-party service such as an accountant's office address.

Opening a bank account in the UK

There are a number of banks based in the UK that allow international clients to open accounts. Each bank will have different requirements and criteria needed to open an account, but they are all likely to require anti-money laundering paperwork.

While it isn't a requirement to hold a UK bank account in order to invest in property - either as an individual or through a limited company - it can be beneficial for a few reasons. It can make organising rental payments from UK tenants more straightforward, while also making it easier to deal with tax. Exchange rates are another consideration.



What documentation do US investors need to buy UK property?

Much like when investing in property in the US, buyers in the UK need certain documentation to be able to proceed. This helps to ensure that all purchases comply with the country's anti-money laundering and fraud rules. Documentation required includes:

Proof of your identity

This could be a passport or a driver's licence, for example

Proof of address

Any official letters such as a bank statement or utility bill

Proof of funds

Buyers must provide evidence such as payslips, tax returns and proof of benefit to show they have sufficient funds

There is no requirement for investors from the US to hold a visa in order to invest in property in the UK. In the past, those with investments worth £2m or more could apply for a tier 1 investment visa, but this is currently not available for new applicants.



How do I get a buy-to-let mortgage as a US investor?

A number of UK lenders specialise in products that cater to overseas investors, including HSBC and Skipton International. While the requirements may be more stringent for non-resident borrowers, with higher deposits required and higher interest rates, there are still a range of options.

It is advisable for US citizens to work with a local UK mortgage broker, who can assist them with the necessary paperwork and application process to secure a mortgage on a property.

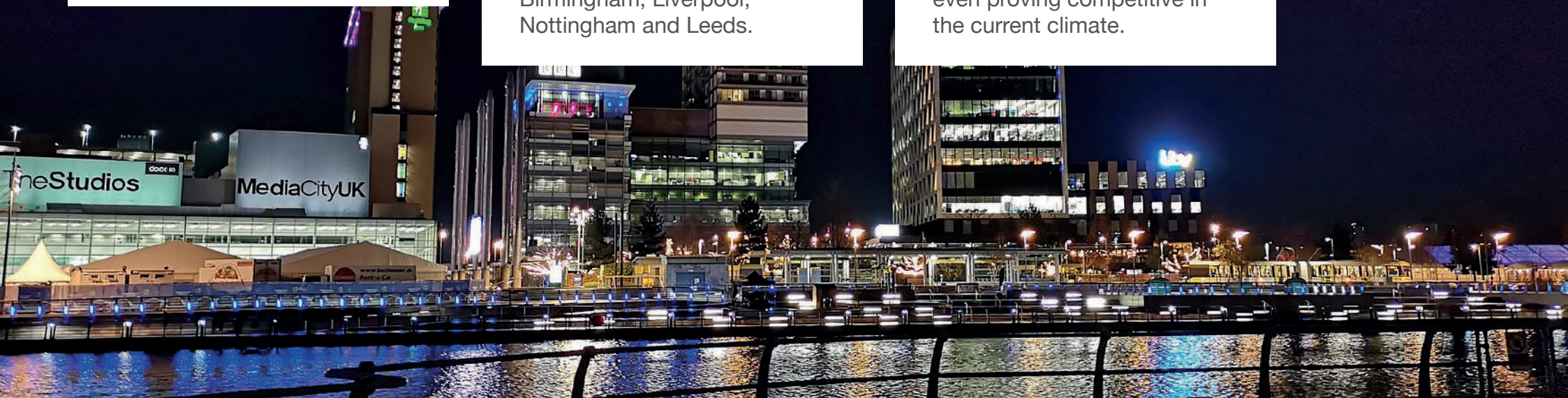


Where should I invest in the UK property market?

While the UK is of course a fraction of the size of the US, it may be surprising how vast and varied the country's property market can be. Deciding on a location to invest in can depend on what your investment goals are, and how long-term your plan is.

Many investors from overseas are likely to head to London as their starting point, as the capital and economic centre of the country. However, it is important to note that, in recent years, the London housing market has been drastically overtaken in many respects by cities further afield; notably Manchester, Birmingham, Liverpool, Nottingham and Leeds.

Some of the most important factors for property investors from overseas to think about include the local economy of an area and recent growth, transport and infrastructure, and of course, property cost and potential rental yields. These can vary greatly from city to city, while many of the country's commuter towns are even proving competitive in the current climate.



Working with a property investment consultant

When investing in property in the UK, US investors will notice that the way estate agents work can be quite different. While in the US, it is common to use the services of a real estate agent to guide you through the entire process including finding and viewing properties, in the UK it is often up to the investor to find the property and contact the agent.

If you only have limited knowledge of the UK housing market, a more preferable route could be to work with a property investment consultant. They can help you find a suitable property to match your needs and goals, with access to off-market opportunities that you would be unlikely to find yourself. A consultant can also provide advice and guidance throughout the buying process, making the whole process smooth and straightforward.

BuyAssociation is one of the leading property investment consultancies in the UK. Operating since 2005 and with offices in Manchester, London and Hong Kong, our investment consultants are extremely knowledgeable and passionate about the UK housing market, with a high level of experience in dealing with investors from overseas.

We can assist US investors with every aspect of UK property investment. By working with us, you'll gain access to some of the strongest off-market investment opportunities in the UK.

For help with your investment venture in the UK, call +44 (0) 333 123 0320 to speak to one of our property investment specialists, or visit our website.

www.buyassociation.co.uk

