

## **Thousands of high value homes are in corporate ownership, says Exaro**

Date:

[11 June 2012](#)

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Five thousand homes, each worth more than £2m, are held through corporate structures that allow the owners to avoid UK taxes, according to unpublished government estimates obtained by *Exaro*.

The arrangements, which George Osborne has described as a 'major source of abuse' in the context of stamp duty land tax (SDLT), could be denying the government 'billions of pounds' in potential tax revenue, *Exaro* reported.

That broad estimate includes inheritance tax avoided by the use of non-UK companies to take advantage of a longstanding statutory exemption that benefits 'non-doms', but a shadow Treasury minister said low and middle income families would be 'shocked' by the extent of tax avoidance.

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Miles Dean

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### **Stamp duty land tax**

As *Tax Journal* reported in March, tax professionals had been expecting SDLT anti-avoidance legislation for years before the Chancellor declared that putting homes into companies to avoid the duty was 'completely unacceptable'. John Whiting, the Chartered Institute of Taxation's Tax Policy Director, said in response to the Budget: 'Nobody can be surprised at the decision to take action against SDLT avoidance.'

Last week the government [launched a consultation](#) on a new annual charge on residential properties valued at over £2m owned by 'non-natural' persons, and a proposed extension of capital gains tax to the disposal by non-resident, non-natural persons of such properties.

In addition, the current Finance Bill provides for a 15% rate of SDLT on the acquisition by non-natural persons of homes costing more than £2m.

**Miles Dean, founder of Milestone International Tax Partners, told *Tax Journal*: ‘While buying a high value property via an [offshore] company can lead to SDLT avoidance, this presupposes that purchasers are willing to acquire the shares in the company rather than the property. If you buy the shares you buy the company and its history – warts and all.**

**‘Now many purchasers, in fact the vast majority, would prefer not to buy the company because there is no guarantee that they are getting 100% clean title. So, it would be interesting if we were able to get some stats showing the number of properties that were sold in the last 12/24 months by way of a share sale.’**

### **Inheritance tax**

Exaro’s Steve Lodge said tax experts indicated that inheritance tax was ‘a more important driver than stamp duty for many owners of properties held in companies’. About 500 homes with a combined value of £1.6bn were put in to companies last year, he said.

Lodge confirmed on Friday that the ‘billions’ estimate included inheritance tax (IHT) as well as SDLT and CGT. A statutory exemption for ‘excluded property’ has existed since IHT was enacted in 1984.

The general rule setting out the scope of IHT is that when a UK domiciled person dies, both UK and non-UK assets are chargeable to IHT. When a non-domiciled person dies, only UK assets are chargeable.

Tax professionals advising ‘non-doms’ on the tax implications of buying UK property argue that they are obliged to consider section 6 of the Inheritance Tax Act 1984, which provides that:

‘Property situated outside the United Kingdom is excluded property if the person beneficially entitled to it is an individual domiciled outside the United Kingdom.’

**Miles Dean said: ‘To say IHT planning, ie use of a non-UK company, is exploiting a loophole isn’t correct: the law is structured in such a way that foreigners can own UK situs assets via a non-UK corporate entity and not be liable to UK IHT.’**

**He added: ‘The UK is unique as regards property ownership, which is why many foreigners buy here: the tax system in this regard is benign.’**

**Dean said that the vast majority of homes worth £5m or more would be held via special purpose vehicles, not necessarily for tax but for privacy and asset protection. ‘It isn’t all about tax,’ he said.**

**Writing in *Tax Journal* last month, [Dean said](#) tax issues were being ‘sensationally badly reported’, even in some of the broadsheet newspapers. But he added that ‘a now rampant tax avoidance industry exists that is hugely lucrative for all those involved in devising and distributing aggressive “tax schemes”’.**

### **Treasury ‘must investigate’**

HM Treasury did not comment on Exaro’s conclusions but said the government was taking tough action to stamp out tax avoidance on property, *Daily Telegraph* reported.

The paper quoted Cathy Jamieson, Shadow Economic Secretary to the Treasury, as saying that families on low and middle incomes would be 'shocked by the extent of this tax avoidance'.

Jamieson added: The Treasury must investigate just how much the British taxpayer is losing from these arrangements. We have called on the government to clamp down on this type of tax avoidance. With George Osborne's claim that "we are all in this together" already in tatters thanks to his tax cut for millionaires, it's time he got a move on and acted on this issue.'