

May 14, 2018

UK Government Proposes Beneficial Owners Registry of Overseas Companies That Own UK Property

The UK government has recently provided further details regarding how it intends to implement a register of non-UK legal entities that own UK property.

The UK government has previously stated that it intends to make company and property ownership more transparent. Further to this, in 2016, it introduced a person with significant control (PSC) register, which records information about the ownership and control of UK companies. In April 2017, the UK called for evidence on proposals for a new beneficial ownership register of overseas entities (i.e., non-UK legal entities) that own property in the UK or participate in UK government procurement. The proposed register would be similar to the PSC register. The UK government recently published a [response](#) to its call for evidence, which provides additional information regarding the proposed register of beneficial ownership of overseas companies that own UK property.

The key points are as follows:

- **Entities within the scope.** All forms of overseas entities that can hold properties will be within the scope of the new register's requirements, subject to possible exceptions for overseas entities that are already subject to a public disclosure regime. Notably, trusts will be excluded from the scope of the regime.
- **Property subject to regime.** The proposal requires registration of freehold properties and "leases of registrable duration" (which would generally include leases granted for a term of more than seven years in England and Wales) owned by overseas entities.
- **Definition of beneficial owner.** The definition of beneficial owner for the new register will be aligned to the definition of PSC, which applies to UK companies under the PSC regime.¹ The definition of beneficial owners will be adapted to cover different types of entities. If an entity is unable to provide information about its beneficial owners, details of such entity's managing officers will be required instead.

¹ A PSC is any person who satisfies one or more of the following conditions with respect to a company:

- directly or indirectly owns more than 25 percent of the shares in the company;
- directly or indirectly holds more than 25 percent of the voting rights in the company;
- directly or indirectly has the power to appoint or remove the majority of the board of directors of the company;
- otherwise has the right to exercise significant influence or control over the company; or
- has the right to exercise or actually exercises significant influence or control over a trust or firm that is not a legal entity, which in turn satisfies any of the first four conditions over the company.

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- **Type of information required.** Beneficial owners would be required to provide the same information as is required to be provided under the PSC regime, including the beneficial owner's name, nationality and service address.
- **When is information to be provided.** Information on the register would need to be updated at regular intervals (the exact timing remains to be determined). Information on the register would not be required to be updated on an event-driven basis.
- **UK government procurement.** Overseas entities would be required to provide beneficial ownership information as a condition to being awarded a contract in a UK government procurement.
- **Registration required for new overseas buyers of UK property.** When it goes into effect, the registration of overseas entities buying UK property will be required. An overseas entity that does not comply would not be able to become the legal owner of registrable leasehold property in the UK.
- **No exception for overseas entities that already own UK property.** Overseas entities that already own property in the UK will be required to comply with the regime, subject to a transitional period. The duration of this transition period will likely be greater than one year, but the exact length of this period is yet to be determined. If an overseas entity owning UK property has not complied at the end of the transitional period, such entity would be prohibited from selling, leasing or charging the property.
- **Compliance mechanisms.** Failure to comply will be a criminal offense. In addition, the UK government intends to introduce a system of statutory restrictions, including putting notes on the relevant land register.
- **Timing.** The UK government confirmed that it intends to publish a draft bill in the summer of 2018, with the register becoming operational in 2021.

The full text of the proposed legislation will provide additional details regarding how the regime will work. The legislation will need to be analysed in order to understand how mechanisms designed to promote compliance could impact transactions. Non-UK investors in UK property will need to give due consideration to this regime given the proposed 2021 operational date of the register.

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5/14/18