Digesting the Budget for UK Expat and Foreign National Investors

Labour's first Budget has had huge implications for UK expat and foreign national investors but there are still great investments to be made.

Rachel Reeves' first budget as Labour Chancellor had many points to digest for UK expat and foreign national investors.

MANCHESTER, GREATER MANCHESTER, UNITED KINGDOM, November 18, 2024 /EINPresswire.com/ -- Rachel Reeves' historic first budget as Chancellor certainly had a lot of talking points. In the build-up to the budget, there was a lot of chatter as to how the labour government's financial measures would impact investment and mortgage rates. In short, the big headline from the budget was this: labour are going big on extra taxes.
With measures introduced raising £40 billion a year in extra tax revenue, it's clear that labour are planning to 'rebuild Britain' with tax money. But how does that affect UK expat and foreign national property investors?

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>
> *Stuart Marshall*

Pensions vs Property.
'One thing to note for UK expats that has flown under the radar somewhat amongst all the bigger headlines is the announcement that there were significant changes to pensions for UK expats living abroad' says Stuart Marshall, CEO of Liquid Expat Mortgages. From April 2027, pension pots will be included as part of the estate for the purpose of inheritance tax. This is significant for UK expat and foreign national investors trying to decide between property investment or a pension for retirement. 'For UK expats who are saving for retirement and for an inheritance for their children, UK property investment was already very attractive, but with these new rules, UK property has become an even more desirable asset. UK property is incredibly flexible in terms of its uses: they can be used to generate extra income for UK expat

and foreign national investors, to save for retirement, and in the form of an inheritance for children. This added flexibility compared to pensions makes them an excellent savings vehicle. Further, some of the inheritance tax that now applies to pensions can be mitigated by using a buy-to-let company – a move which is becoming increasingly popular for UK expat and foreign national investors. Expert UK expat and foreign national mortgage brokers can help to make investment portfolios as tax efficient as possible: something that's key for investors trying to maximise the inheritance they pass to their children.'

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Stamp Duty and Capital Gains Tax.
A more notable headline which will have attracted much attention was the announcement regarding Stamp Duty Land Tax (SDLT) and Capital Gains tax. Stamp Duty is a tax paid when purchasing property or land in the UK and applies to both residential and non-residential properties. The rates are dependent on property value and whether the buyer is a first-time buyer or an investor. Current SDLT rates are as follows:

- 0% on the first £0-250,000.
- 5% on the portion between £250,001 to £925,000.
- 10% on the portion between £925,001 to £1.5 million.
- 12% on the portion above £1.5 million.

Comparatively, the new rates, which come in from 1st April 2025 are as follows:

- 0% on the first £0-125,000.
- 2% on the portion between £125,001 to £250,000.
- 5% on the portion between £250,001 to £925,000.
- 10% on the portion between £925,001 to £1.5 million.
- 12% on the portion over £1.5 million.


By utilising the advice and guidance of expert UK expat and foreign national mortgage brokers, UK expat and foreign national investors can still find highly profitable investments in the UK property market.

Crucially, for UK expat and foreign national landlords and buy-to-let investors, there is an additional SDLT charge to pay. This has increased from 3% to 5%. There is also an increase from 15% to 17% which applies to companies that buy residential properties valued at £500,000 or more.

When it comes to capital gains tax, there is another increase. This is a tax charged on the profit from selling assets that have increased in value, such as real estate, stocks, bonds, and other investments. The increases to capital gains tax were even more drastic, with basic rate taxpayers now paying 18% (up from 10%), and higher rate tax taxpayers now paying 24% (up from 20%).

This one-two punch of SDLT and capital gains tax means that UK expat and foreign national investors need to make sure that their assets are structured in such a way to be as tax efficient as possible. How this is done is up to the investor. For example, it could be done through utilising a buy-to-let limited company or making sure that they buy more affordable properties to minimise the SDLT bill. Regardless, expert UK expat and foreign national mortgage brokers can help investors to mitigate the impact of these rises on the profitability of their investments. The range of quality mortgage products that are available for UK expat and foreign national investors can certainly help to minimise the overall cost of the investment and will save fortunes over the lifetime of an investment venture. But, most importantly, the advice of experts with access to specialist deals, is more important than ever for discerning UK expat and foreign national investors.

Residency-Based Taxation Model.
A new residency-based taxation model also flew somewhat under the radar in the wider scope of the budget. Under these new rules, a statutory residence test will determine whether or not UK expats will be subject to UK taxes on their worldwide income. This is of particular note to UK expats who have spent years abroad and are considering a return to the UK. The change similarly affects foreign nationals residing in the UK. Previously, these residents could avoid UK tax on foreign income which wasn't transferred the UK. However, the 'non-dom' status has now been abolished meaning that foreign income will be taxed under UK regulations.

'It's important for anyone who thinks they might be subject to the new tax rules to talk to an expert UK expat or foreign national mortgage broker to determine whether they are deemed a resident under the statutory residency test and to be proactive in their tax planning. This advice can make all the difference in an investment venture.'

How Does the Budget Impact UK Buyers?
'The UK housing investment landscape is an ecosystem and, accordingly, much of the way that UK expat and foreign national investors are influenced is related to the ways that domestic investors are impacted' says Stuart Marshall. 'For example, much of the recent success of UK expat and foreign national investors has been partly due to the difficulties that first-time buyers have faced in getting onto the property ladder. Because of higher mortgage rates, would-be first-time buyers have struggled to satisfy stress tests for the properties they want and are, consequently, 'stuck' in the rental market. This has led to fierce competition for rental properties, high rental prices, and big profits for UK expat and foreign national landlords with the right properties.'

'The sale of rental properties in the UK is also having an impact on the market for UK expat and foreign national investors. Currently, 12.5% of homes on the market are former rental properties. This is reducing the supply of rental homes in an already competitive marketplace, increasing competition further and pushing up rental costs. This is good news for the UK expat and foreign national investors who are still looking to invest, as the rewards to be gained from UK buy-to-let property are even greater. It's likely that many of those investors selling their properties are investors who bought many years ago and are now looking to 'cash out' amidst new legislative changes. But there is still a great deal of money to be made for UK expat and foreign national investors who buy the right properties in the right areas.'

Quality Investments Still Highly Profitable.
'This Budget has been a big one for UK expat and foreign national investors, with a lot to digest and work through. It's clear that the changes Rachel Reeves has implemented are intended to shift the UK's financial landscape towards a residency-based tax approach with an emphasis on fiscal accountability. Currently, there is a timeframe for UK expat and foreign national investors to adjust to the reforms, giving these investors a chance to restructure their investments and financial situations. Accordingly, talking to an expert broker as soon as possible will be of paramount importance for UK expat and foreign national investors. And there were positives too for UK expat and foreign national investors, with corporate tax rates remaining stable at 25%. Meanwhile, the various green incentives that have been very lucrative for UK expat and foreign national investors recently, have also been maintained by the chancellor. Because of this, there are still many opportunities for investors to restructure their investments and maximise their profitability, even with the new rules around capital gains tax and SDLT.'

'There have always been pitfalls for UK expat and foreign national investors in the UK housing market. While this budget might seem to add complexities, navigating the UK's buy-to-let investment landscape is much the same as it's always been. By utilising the advice and guidance of expert UK expat and foreign national mortgage brokers, UK expat and foreign national investors can still find highly profitable investments in the UK property market. With the difficulties faced by domestic buyers, the need for rental properties from consumers, and the range of quality mortgage products available exclusively for UK expat and foreign national investors, there are still great investments to be made.'

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