

Action required on transactions of UK property owned by overseas entities

The long-deliberated Register of Overseas Entities came into force on 1 August 2022 and requires urgent action from the beneficial owners (BOs) of overseas entities who buy, sell or transfer property in the UK. The legislation has been introduced to ensure greater transparency surrounding property transactions in order to highlight and investigate "suspicious wealth".

Please note, there are severe penalties for BOs who fail to register with Companies House before 31 January 2023, with the legislation applying retrospectively as far back as 1999.

What is the Register of Overseas Entities?

The register has been prospective legislation for many years, first announced in 2016, but finally coming into force on 1 August this year. Under the new legislation, which has come through the Economic Crime (Transparency and Enforcement) Act 2022, all overseas entities who buy, sell or transfer property within the UK are required to register details of the entity's beneficial owners (BOs) or managing officers (MOs) with Companies House.

Importantly, the legislation also applies where property or land purchases have already taken place within the UK. There are differing country requirements, with the legislation applying to entities still currently owning or leasing land in England and Wales that was acquired since 1 January 1999, with an extension

of that requirement to cover properties sold since 28 February 2022. In Scotland it applies to property acquired since 8 December 2014, and there is no retrospective requirement for Northern Ireland, with entities only needing to register for transactions from 1 August 2022.

What is an overseas entity and who are the beneficial owners?

The legislation defines an overseas entity as a corporate body, partnership or other entity governed by the law of a country or territory outside of the UK, and that are legal persons under that law.

The registered beneficial owner of a legal entity is defined as a person or entity who has significant influence or control over the overseas entity, meaning they hold more than 25% of the shares or more than 25% of the voting rights, have the right to appoint or remove a majority of the board of directors, or have the right to exercise, or actually exercises significant control or influence over the entity. If there are no BOs, you will need to provide information of any MOs – this can be the entity's directors, managers or company secretary.

How to use the register

Anyone who works at the overseas entity can use the registration service, as can a professional adviser or agent working on behalf of the entity. Before the registration takes place, a UK-regulated agent must carry out verification checks on the entities BOs and MOs within the three months before the registration takes place. The registration can then

take place once the agent has sent the verification check statement to Companies House.

Once the verification check statement is received, information needs to be submitted to the register in relation to the entity, with details of any BOs or MOs, and also details of the UK-regulated agent that carried out the verification checks. There are prescribed lists of the information required for each. You will also need to pay a £100 registration fee using a credit or debit card. The process is easier if the verifier submits the initial application for registration to Companies House once they have completed the checks on the BOs or MOs.

Once the registration is complete, and if the application is accepted, the BOs and MOs will be added to the register. The entity will then get a unique Overseas Entity ID to give to the Land Registry when undertaking the transaction.

Updating the register

You will need to ensure that your filing on the register is updated annually with details of any changes, or simply to confirm that the information is still correct. This must be done within 14 days of the registration date annually.

What are the consequences of getting it wrong?

If you fail to comply with the Act within the timeframes specified above, any of the entity's registered beneficial owners could be fined up to £2,500 per day, or face a prison sentence of up to five years.

The next step

This is new legislation and, with such serious penalties for failing to comply, it is important that you seek professional advice quickly.

For further support, or to determine whether or not this Act applies to your entity, please contact your usual UHY adviser. Alternatively, email a member of our national marketing team who will direct your enquiry to a relevant expert.

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