Department for Business, Energy & Industrial Strategy

A REGISTER OF BENEFICIAL OWNERS OF OVERSEAS COMPANIES AND OTHER LEGAL ENTITIES

Understanding the potential impacts of the proposed register through qualitative interviews with industry stakeholders

BEIS Research Paper Number 13

July 2018

This report was prepared by IFF Research for the Department for Business, Energy and Industrial Strategy in accordance with the tender process of April 2017.

Contents

1. Introduction

Background

The UK aims to be a world leader in corporate transparency. In June 2016, the Government introduced a central, publicly accessible register of beneficial owners of UK companies (the People with Significant Control register, or PSC). The Government now intends to expand these transparency measures to overseas legal entities, where they own property in the UK.

The UK benefits from Foreign Direct Investment, including in property. However, those who invest in the UK property market can use opaque company structures to obscure their identity. The new register will make it easier for regulators, legitimate businesses and the general public to know who the true owners of UK property are, and enable law enforcement agencies to carry out effective investigations more easily.

Following a discussion paper published in March 2016, the Government committed to introducing a register of the beneficial owners of overseas companies owning UK property. The Government has since stated that it will legislate that not just companies but all overseas ‘legal entities’ will fall within scope of the policy. Where the term ‘overseas entity’ is used in this document, it should be understood to refer to ‘a non-UK registered body with legal personality that can own property in its own right'.

IFF Research was commissioned by BEIS to undertake interviews with key players involved in the UK property market and the purchasing of UK property and land by overseas entities in order to better understand the potential impacts of the proposed register once introduced.

Research Objectives

The original objectives of the research were to:

1. understand the perceived impact of increased transparency (of the owners and controllers behind overseas entities that own, or wish to purchase property in the UK) on the UK’s ability to attract overseas investment;
2. understand the impact of the policy on the UK property market and the behaviours of those using overseas entities to invest in UK property;
3. explore the benefits and burdens of compliance for overseas entities;
4. identify any additional impacts of the policy to be considered; and
5. build a market picture of UK property and land owned by overseas entities by analysing HM Land Registry data.

The initial scope of the research envisaged a primarily quantitative methodology involving telephone surveys with both industry stakeholders (such as solicitors and estate agents) as well as decision makers of overseas entities owning UK property, with a smaller number of in-depth qualitative interviews. For reasons detailed in the methodology section, in practice the research adopted a primarily qualitative methodology with only industry stakeholders.

Methodology

Overview

The findings presented in this report are primarily drawn from 30 qualitative interviews with industry stakeholders but, where possible, are supplemented with indicative findings from a quantitative survey of 32 industry stakeholders.

The methodology originally pursued was to complete 150 quantitative telephone surveys with industry stakeholders (such as estate agents, solicitors, industry representatives and property developers).

These were then to be complemented with 200 quantitative telephone surveys with decision makers of overseas entities owning UK property.

In the case of the industry stakeholders, the methodology eventually developed to a more targeted qualitative one with 30 industry stakeholders after it proved unfeasible to achieve a robust sample size of quantitative surveys. The main reason for this was that it proved difficult to identify and contact a sufficient number of stakeholders eligible for the research to achieve the 150 surveys.

Similarly, interviewing decision makers of overseas entities owning UK property also proved to be unviable due to difficulties in acquiring contact details for the owning proprietors listed on HM Land Registry's 'overseas companies' dataset which contains title records of freehold and leasehold property in England and Wales registered to foreign-owned companies. A key challenge was that a majority of the companies listed were found to be shell companies and no contactable individuals could be identified. Further detail is provided in Appendix A.

Sampling

Industry stakeholders

A sample of industry stakeholders was compiled from three main sources: a BEIS-supplied list of stakeholders who had responded to the BEIS call for evidence (April to May 2017); a sample of particular SIC codes sourced from a commercial business database (Market Location); and a sample manually compiled through online searches.

The BEIS-supplied list did not include contact details but simply the names of relevant organisations who had responded to the BEIS call for evidence related to the policy proposals. IFF undertook desk research (online searches etc.) to acquire contact details for the organisations and to try to identify an appropriate contact.

The sample purchased from Market Location comprised contact details of 14,000 organisations across a selection of specific industry classification according to SIC codes, namely:

- Development of building projects (SIC 4110)

- Buying and selling of own real estate (SIC 6810)
- Real estate agents (SIC 6831)
- Management of real estate on a fee or contract basis (SIC 6832)
- Solicitors (SIC 6910)

It was not possible to know at the outset which of the acquired sample would be eligible for the research (i.e. those with dealings with foreign companies and other legal entities owning or purchasing UK property). This was therefore screened for when initially making contact with such organisations.

These two sample sources were used for the quantitative survey which was aborted in favour of a qualitative approach.

The sample for the qualitative element was based on those that had completed the quantitative survey and at the end of the survey provided consent for being re-contacted about future related research (26 records). This was supplemented by desk research to manually compile sample of industry stakeholders who, based on internet searches, appeared to be relevant for the research (i.e. who interacted with overseas entities purchasing property in the UK), which was then checked when making first contact.

Further leads were acquired by asking those who took part in the research if they were able to identify anyone in scope of the research and asking for their contact details.

Quantitative survey

A total of 32 quantitative surveys with industry stakeholders were completed during the period 22 August to 15 September. As this is too small a base size to conduct robust quantitative analysis, this report is based principally on the findings of the qualitative research. The findings of the quantitative research are incorporated to give a wider context and should be treated with caution.

The quantitative survey covered the following areas:

1. The profile of the respondent’s organisation and their clients who use overseas entities to purchase UK property;
2. The reputation of the UK property market as a place for foreign investment; and
3. The impact of the policy and how this differs for residential and commercial property.

Who we spoke to

Respondents were screened to ensure that they had some involvement with any of the following:

1. Advising foreign companies and other legal entities on the purchase of UK property;
2. Selling property to companies and other legal entities based overseas;
3. Advising clients on setting up a foreign company or other legal entity in order to purchase property in the UK;
4. Representing a stakeholder group that has an interest in the sale of UK property to foreign companies and other legal entities.

Table 1: Quantitative survey respondents

Industry stakeholder	Number of surveys
Estate agency with an overseas presence	3
Estate agency without overseas presence	18
Property development	4
Law / solicitors firm	4
Property management	2
Property advisor	1
TOTAL	32

The majority of quantitative respondents dealt with overseas entity clients in residential property (66%); a fifth dealt with both residential and commercial property (19%) and a minority dealt with only commercial property (16%).

Qualitative interviews

A total of 30 qualitative interviews were completed with industry stakeholders. The semi-structured topic guide used for the interviews is provided in Appendix B. It broadly covers the same topics covered in the quantitative survey.

Who we spoke to

Again, respondents were screened to ensure that they had some involvement with overseas entities buying or owning property in the UK.

Table 2 shows the interviews we achieved with each type of stakeholder and the number of organisations who were contacted to achieve those interviews[1].

[1] We have refrained from calculating a response rate, due to the difficulties in sourcing relevant sample. It is not possible to know whether those organisations we did source had any interaction with overseas entities owning or buying property in the UK.

Table 2: Qualitative interview participants

Industry stakeholder	Number of interviews	Number contacted*
Bank / Property Investment / Developer	7	96
Estate agent	9	129
Solicitor	11	38
Trade Association / Business Representative	3	10
TOTAL	30	273

*This is the number of organisations/stakeholders contacted to achieve the number of interviews listed. It should be noted that it is unknown from these numbers how many would have been *eligible* for the research – i.e. some of these organisations, if they had been receptive to the research, may have been screened out for not dealing with overseas companies and other legal entities investing in UK property.

Of the 11 solicitors interviewed, most were large international law firms based in London, with others national or more localised law firms.

Of the estate agents, most were London-based and included some large organisations with international operations. The estate agents interviewed predominantly engaged in deals for residential property

Of the seven interviews in the 'Bank / Property Investment / Developer' grouping, one was a large international bank, two were with property developers and the remainder with property investors, including some who operated in a predominantly advisory capacity.

Of the three interviews with trade associations / business representatives, one associated with estate agents, one associated with property investors and one associated with property investors and developers.

2. Main findings

This chapter presents the main findings from the qualitative interviews with industry stakeholders and is supported, where appropriate, with data from the quantitative survey. As detailed in the methodology, the quantitative findings are based on a relatively small number of surveys and, as such, the quantitative survey findings should be interpreted as indicative findings and treated with caution.

The chapter broadly follows the structure of the qualitative interviews by first outlining stakeholders' views on the current UK property market and its attractiveness for investment by overseas investment. It then presents stakeholder views on the proposed register of beneficial owners of overseas companies and other legal entities and its potential impact on the UK property markets and to themselves as stakeholders.

Stakeholder views on the UK property market

Purpose of investing in UK property

Most frequently, stakeholders reported that the purchase of property in the UK, whether residential or commercial, by overseas entities is purely for investment purposes. For example, investors might buy residential homes, offices, apartment blocks or retail parks and this would be purely as an investment (e.g. buy-to-let), rather than to serve a function within their company.

This is supported by the quantitative responses, where the majority (69%, based on all 32 respondents) reported that at least some of their overseas entity clients use a company structure to purchase UK property for investment[2].

Stakeholders indicated that most, but not all, of the overseas entities they engage with or know of are controlled by investors that are also based overseas (i.e. not UK-based investors setting up a company or other legal entity based overseas to invest in UK property). Commonly the investors are from Asia and the Middle East, with some based in USA and Europe. However, the overseas entities are predominantly set up in certain jurisdictions; such as Guernsey and Jersey, Luxembourg and the British Virgin Islands.

Frequently, the overseas entity would be a vehicle set up by an institutional investment fund, such as pension funds, private equity funds or insurance companies.

> *"A lot of our clients, albeit London or US based private equity funds, use offshore structures to structure their real estate investment holdings; that is their business, where they make their money."*
>
> Solicitor

A few stakeholders also spoke of the role of individual investors, for example high net worth individuals (usually with ties to the UK, such as expats or those who study in the UK)

[2] Indicative only due to low base size.

who set up company structures to own property in the UK to live in, as a secondary home, or also as an investment.

> *"For individuals, it would probably be second home use and that would be owned through a corporate vehicle."*
>
> Estate agent

The reasons why individuals use an overseas company structure or investment vehicle for purchasing UK property and land vary, according to stakeholders. However, the most common reason cited related to tax efficiency (including structuring wealth for estate tax purposes). Though it is potentially a key reason for some individuals, a desire for anonymity was broadly considered a secondary reason.

> *"It's often for tax reasons so that if it is an overseas investor they don't pay UK tax. A lot of structures we use are something called 'tax transparent' so that they don't suffer double taxation – i.e. paying tax at the level of the investment vehicle as well as in their own hands. It's also to do with familiarity as lenders and investors get used to certain jurisdictions, feel comfortable with them and so want to keep their legal structures located there."*
>
> Solicitor

> *"It's probably for tax reasons and would have been about anonymity a few years ago but not so much now given the new anti-money laundering rules. We have a vendor at the moment based in Singapore but buying in BVI and we've had to tell them that we can't list it until we get details of who controls the BVI company."*
>
> Estate agent

Reputation of the UK property market

All stakeholders interviewed view the UK property market as attractive for foreign investment. The main reasons underpinning this attractiveness include: its relative economic and political stability; a strong legal system (including state guarantee of ownership via the HM Land Registry and clearly defined rights of owners and occupiers), language and cultural connections to many countries, as well as, importantly, being seen as a relatively safe bet for return on investment.

In support of this, nearly four fifths (78%) of all 32 stakeholders in the quantitative survey deemed the UK as an attractive place for foreign companies and other legal entities to invest in property or land[3].

There were some regional differences. A number of stakeholders referenced London and the South East as being the main drivers behind the UK's attractiveness.

When asked if the UK's reputation as an attractive place for foreign investment has changed over the past few years, a number of factors were mentioned by stakeholders. Particularly among estate agents the increase in stamp duty in December 2014 for high

[3] Indicative only due to low base size.

end properties was mentioned as having a potentially large negative effect on sales of high end properties.

"I cannot stress enough the impact that the increased stamp duty has had."

Estate agent

The effect of the UK's decision to leave the European Union emerged as a key theme, both prompted and unprompted. Stakeholders mentioned that the devaluation of the pound was having a positive impact on foreign investment, particularly in attracting foreign investors from outside of Europe. The overriding view was that the UK is still seen as an attractive place for foreign investment, despite some perceived uncertainty surrounding Brexit, which may be causing some to postpone investment decisions.

"Brexit is a potential issue. There are political and economic undercurrents that mean London and the UK might not be as popular as it was. I don't think we have seen an impact yet because of the value of the pound having weakened, but a huge amount of Asian investors are taking advantage of that."

Solicitor

Views on the importance of overseas investment on housebuilding in the UK

There were mixed views on how important sales of UK property and land to overseas investors is in terms of affecting housebuilding in the UK. It was felt to be important for particular sub-sectors of the market: such as in London and high-end property. One estate agent mentioned that overseas investment is important for new builds as it is more difficult to get domestic UK purchasers to buy off-plan.

"There is more activity in the new build market where new stock gets actively marketed overseas, but that is partly because it is difficult for developers to get UK purchasers to buy off plan due to the UK's more stringent mortgage controls."

Estate agent

In the quantitative survey just over half of respondents (56%)[4] felt that sales of property to overseas companies and other legal entities is important to housebuilding in the UK. Of the remainder, a fifth felt it was unimportant (19%) and a further fifth felt it was neither important nor unimportant (19%).

Some stakeholders mentioned that overseas investment is relatively more important to commercial builds than residential.

"Nine of the 13 commercial deals we have transacted in the first three months of 2017 were backed by overseas investors, so it is significant."

Solicitor

[4] Indicative only due to low base size.

Views on the policy and its potential impact

After being provided with an introductory summary of the policy to introduce a register of beneficial owners of overseas companies investing in UK property, stakeholders were asked for their views on how this policy might affect the UK's reputation as an attractive place for foreign investment, as well as potential impacts on their own lines of work.

This section first summarises stakeholders' thoughts on the overall impact of the policy, before summarising the potential impacts on specifics such as transparency of the UK property market and the potential impact on illegal activity in the UK property market. The section then presents stakeholders' thoughts on some practical considerations for the implementation of the register and the potential impacts on stakeholders.

Impact: Overall impact on the UK's reputation as a place for overseas investment

There were mixed views on how the policy will affect the UK's reputation as a place for overseas investment in property, though the prevailing view tended to be that the policy would have minimal impact. This is broadly supported by the quantitative survey, where half of all 32 respondents (50%) thought the policy would cause no change in the UK's reputation as a place for foreign companies and other legal entities to invest in property or land, though two-fifths (41%) thought it would make it less attractive with the remainder (9%) unable or unwilling to make a judgement[5].

Reasons behind some stakeholders anticipating a negative impact included the following: that new regulation is perceived as an extra burden or obstacle; that investors might be put off by the need for transparency; and that the policy may be interpreted as the UK positioning itself as unwelcoming to overseas investors. However, for many stakeholders, these reasons would not have a big enough impact to outweigh the overall appeal of investing in the UK property market.

> *"It will deter some investors. This is going to appear that the UK is an outlier and is specifically targeting overseas buyers compared to, say, France or Germany."*
>
> Property investor / developer

> *"I don't think it will have significant impact. I think that the attractiveness of the UK market will override. It will just mean a bit more bureaucracy, additional paperwork and another hoop to go through, but not a deterrent."*
>
> Solicitor

Where stakeholders predicted a negative impact, most felt that this would disproportionately affect property in London and the South East, as well as high-end property, as this is where most overseas investment is concentrated.

However, since most stakeholders did not believe the policy will have an adverse impact on overseas investment in UK property, there were few speculations as to where investors might divert their money if deterred by the new policy. One estate agent suggested they might simply invest in other assets such as stocks and shares. A few mentioned that other

[5] Indicative only due to low base size.

countries could be more appealing, such as the USA, Australia and especially elsewhere in Europe.

> *"There is a high chance that people will purchase assets in the USA if UK looks unwelcoming and continental Europe, though not France because of their wealth tax."*

Estate agent

Where the policy might have a positive impact is in strengthening the image of the UK property (and the UK in general) as one of robust laws and transparency. Some stakeholders considered the proposed register to be "good housekeeping."

Impact on: Transparency of the UK property market

Among the stakeholders who felt the policy may help in enhancing the UK's attractiveness, the main reasons behind this related to any move toward increased transparency and integrity of the market being a positive one.

> *"It should make the UK market more transparent and therefore give people more confidence in the integrity in the market. In the long term this will make it more attractive."*

Estate agent

> *"I hope it is introduced because it would be good for traceability, good for upkeep of housing stock in the country and it takes away places to hide."*

Estate agent

> *"It could make it a better place because of improved transparency. If people have nothing to hide, it is a good thing – it will reduce criminal investment."*

Industry body

72% of all 32 respondents in the quantitative survey agreed that the new policy will lead to a general increase in transparency in the UK property market[6].

On the flip side, some stakeholders felt that investors value anonymity and would be deterred by the requirement to register the beneficial owners. This was not necessarily linked to criminal activity, but rather a feeling that investors prefer to keep their business private.

> *"I don't believe that in all cases, transparency is a good thing, it isn't the answer to everything. Some people will not want it. It doesn't mean they are illegal or tax dodging. In the US there is a strong debate on privacy and in UK there isn't really that debate so we (in UK) are in danger of drawing the line too far on transparency."*

Property investor / developer

[6] Indicative only due to low base size.

Impact on: Potential for illegal activity in the UK property market

As with the impact on transparency, most stakeholders thought the policy would be beneficial if the register makes it harder for criminal activity to occur. This is supported in the quantitative findings, where three quarters (75%) of all 32 respondents agreed it would reduce the potential for illegal activity[7].

However, others felt that the register would have little effect in practice, arguing that criminals will find means to negotiate loopholes. For example, if there were exceptions to be made for those at risk of violence or intimidation, some thought that anyone could twist the rules and make it apply to them to have their information suppressed.

> *"You would like to think that it would stop [criminal activity], but the cynic in me says they will just find other ways around it."*
>
> Solicitor

One mentioned that the information on the register would have to be checked for accuracy if it is to have any effect.

> *"If the information given is not verified, it is useless. The liar will lie if you don't stop them. Criminals don't self-report and Companies House only collects honest information from the people who are honest."*
>
> Property investor / developer

Practical considerations of implementing the policy

As mentioned above, one of the main reservations about the policy was around the burden of complying. Stakeholders felt that a further requirement to register beneficial owners of overseas entities in a property market that is already heavily regulated would add yet another burden and could deter at least some investors, regardless of whether they are using a company structure legitimately.

> *"It's just another thing that might incline people not to invest. I don't think the policy on its own will stop people investing but it's just a cumulative effect of people looking and seeing more regulation coming in."*
>
> Solicitor

> *"Describing it as a barrier is too strong, but is it another tier of bureaucracy."*
>
> Property investor / developer

Some stakeholders indicated that the practicalities of registering could also be a challenge, as the ownership structure of overseas entities is often complex and finding out the relevant information could be difficult.

> *"I think our membership has questions around how the intent of this policy could practically be achieved, you could get into very complex models of beneficial ownership."*

[7] Indicative only due to low base size.

Industry body

“Generally, to increase transparency in corporate ownership is not going to be an issue. But what you don't want it to do is to become so burdensome and difficult to comply with that it discourages investment in the UK market. For me the devil will be in the detail.”

Solicitor

Another solicitor and industry representative mentioned that a minority investor in a joint or co-joint venture could be punished if the overseas partner(s) have not completed the necessary registration and felt that this would be draconian and must be considered before implementation of the policy.

“You could have a minority interest in a property where the majority shareholders don’t comply with the new register. You have no control over the company but you could be penalised by the strict enforcement of penalties stopping you re-mortgaging or selling. There needs to be some protection against certain scenarios, especially around smaller co-investors.”

Industry body

Some solicitors raised the point that the policy being applied retrospectively would be an issue, as it will be difficult for investors to register within the transitional one-year time limit.

“I think it would be better if the registration requirement was triggered by new transactions only. There will be many properties held by overseas investors that are investment properties and they won’t necessarily receive the information that they need! They will therefore fail to acquire their number and they will be in breach and subject to criminal charges though actually in an innocent way...Retrospective requirement is very difficult to undertake.”

Solicitor

There were also some worries about the ability of Companies House to administer the registration requirements in a timely fashion. And concerns that any failure to register, resulting in having restrictions imposed, could have unintended knock-on impacts, such as on the tenants who rent property from such owners.

“The biggest impact will be with existing owners having to comply with the legislation…otherwise they can’t dispose, rent or otherwise. I don’t think that a year is long enough to transition. There will also be an issue with the Human Rights of tenants who are renting the homes/living in the property and could have them taken away if the ownership is not registered at Companies House.”

Solicitor

Stakeholder considerations on anonymity safeguards for people at risk of harm

Stakeholders considered it important for the proposed register of beneficial owners to have safeguards in place to preserve the anonymity of individuals at risk of harm if such information were made public. However, stakeholders had mixed views on whether the safeguards will be sufficient.

Stakeholders commented that most overseas investors will not be affected but that there will be individuals for whom such safeguards will be necessary. Without sufficient assurance on whether and how their details will be withheld from public disclosure, they may decide against investing in the UK.

> *"When we get large investors from particular countries in say the Middle East, they often do not want their identities disclosed. That would be important because some of them might be at risk back home. If they weren't given sufficient assurances on anonymity, that could be a problem and they might decide to invest elsewhere."*
>
> Solicitor

A reason behind the mixed views on the adequacy of the proposed safeguards is a desire for more specific details on how the process of applying to have details supressed from public disclosure will work, including what the criteria for 'risk of harm' will be and what the evidential burden is. Nearly half of all 32 respondents in the quantitative survey (47%) answered that they did not know whether the proposed safeguards are sufficient[8].

> *"I don't think that the legislation is likely to provide sufficient safeguards. I don't have a lot of confidence in the safeguards and how that that would work, but it all depends on the evidential burden required."*
>
> Solicitor

> *"From our experience of the PSC register it is already pretty difficult to prove risk of harm so I don't think the safeguards will make much difference."*
>
> Solicitor

A solicitor also mentioned that it will be important to consider at what point in the transaction the request for anonymity is made and granted; individuals at risk of harm would need assurances early in the process, or they will likely choose not to invest.

Impact on: Use of trusts

Most stakeholders interviewed felt unable to comment on how the policy may affect the use of trusts to buy UK property, as they had few dealings with them.

However, a few stakeholders speculated that trusts could act as a loophole to the policy, allowing investors to remain anonymous by 'hiding' behind a trust, and therefore the use of trusts could increase. Of these, a few thought that the policy should be extended to cover trusts as well.

Differing impacts: Residential and commercial

For the most part, stakeholders did not consider the potential impact of the policy to differ between the residential or commercial property market. Others dealt exclusively either with residential or commercial property, and therefore were unable to comment on the difference.

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[8] Indicative only due to low base size.

However, some cited the high-end residential property market as an area that would be most affected, purely as they saw this area as attracting a lot of overseas investment. As mentioned earlier, this was also linked to London and the South East.

> *"It will have the most effect residentially on the high end – primarily London and the South East."*
>
> Property investor / developer

In line with this view that residential property might be more affected, some mentioned that the commercial property market would less likely be affected.

> *"The commercial property market is very varied – it could be top end hotels, it could be standard shopping centres – there will be a marginal impact from high net worth who may reconsider where they place their capital but for the most part individuals and commercially based investors won't be put off by these changing laws"*
>
> Trade Association / Business Representative

Potential impacts on stakeholders

The potential impacts of the policy on the work of stakeholders was also discussed. This was relevant for estate agents and, in particular, solicitors.

Overall, most stakeholders felt that their work would be minimally affected by the policy (aside from being tied in with the general attractiveness of the UK property markets, as discussed previously).

It was primarily solicitors who felt they would be most affected by the new policy in the form of an increased administrative burden; firstly, in terms of educating clients about the extra requirements, and secondly in terms of processing the necessary paperwork.

Another solicitor suggested that the registration process would likely slow down the completion of transactions by at least a couple of weeks, and that some transactions may fall through if Companies House is unable to process the registrations quickly enough.

> *"Some transactions may fall out because of the extra time waiting for the registration number. Often when you are doing a large transaction, you know who the purchasing organisation is but don't know who the actual name on the title will be until quite late on in the process because the organisations are often doing quite a lot of restructuring until the last minute. If you then have to wait to get a registration number it might mean another 2-3 weeks on the deal which could threaten the whole transaction."*
>
> Solicitor

3. Market analysis of HM Land Registry Data

To provide context on the properties owned by overseas entities, IFF has undertaken analysis of HM Land Registry's 'overseas companies' dataset which contains title records of freehold and leasehold property in England and Wales registered to foreign-owned companies. (Note: the policy will cover the whole of the UK.)

Linking this database with Ordnance Survey (OS) data provides information on the type property in terms of whether it is residential or commercial.

As seen in table 3, the majority of properties in England and Wales owned by overseas entities are identified as residential (54%) and 22% are commercial[9]. This is supported by the findings from the qualitative interviews, where stakeholders considered the residential property market to be an area where overseas investment was focused.

Table 3: Classification of property owned by overseas entities

Classification	% of all property
Residential	54%
Commercial *Defined as property which attracts non-domestic rates and/or its use is of a business nature*	22%
Unknown commercial / residential status *This includes properties where it was not possible to cross-reference between HM Land Registry and Ordnance Survey data to determine the primary use of the property*	22%
Land	2%
Dual Use	Less than 1%
Military	Less than 1%
Object of Interest	Less than 1%

Looking at the purpose or function of the commercial property invested in, a significant proportion is classified as shop / showroom (25%), office / work studio (15%) and warehouse / storage depot (6%).

[9] As noted in Table 3, it was not possible to accurately classify just over a fifth (22%) of the properties on HM Land Registry's 'overseas companies' dataset with Ordnance Survey data.

Whether the property is owned freehold or leasehold is almost evenly split: 55% freehold and 45% leasehold. In the qualitative research, this did not emerge as a theme of importance.

As seen in table 4, a significant proportion of the properties on the register in England and Wales are located in London (44%) and South East (16%).

Table 4: Location of property owned by overseas entities

Location	% of all property
Greater London	44%
South East	16%
North West	11%
Yorkshire and Humberside	6%
South West	6%
West Midlands	5%
East Midlands	4%
North	3%
Wales	3%
East Anglia	2%

In terms of the locations of the owning overseas entities, two-thirds (67%) of the properties were owned by entities based in:

- British Virgin Islands (23%)
- Jersey (21%)
- Guernsey (12%)
- Isle of Man (11%)

This proportion remains roughly the same when looking at their overall share of the commercial (66%) and residential (69%) property market.

The locations of the entities owning the remaining third of properties varies greatly. Those accounting for at least 2% of the properties listed on the register include: Gibraltar (3%), Mauritius (3%) Luxembourg (3%) Panama (2%) Republic of Ireland (2%), Singapore (2%) and Hong Kong (2%).

Crown Dependencies and British Overseas Territories

As identified above, the British Virgin Islands (BVI), Jersey, Guernsey and Isle of Man account for a disproportionate amount of properties listed on the overseas companies HM Land Registry. Below provides some further insight into the how the market is split for these locations.

Commercial and residential markets

Table 5 shows the proportion of all commercial and residential property owned by companies based in these Crown Dependencies and British Overseas Territories. Companies located in the BVI account for more property ownership in the residential sector, whereas companies based in Jersey are more focused on commercial property.

Table 5: The share of the overall commercial and residential property market by companies based in BVI, Jersey, Guernsey and Isle of Man

Location	% of all commercial property	% of all residential property
British Virgin Islands	18%	26%
Guernsey	11%	12%
Jersey	25%	20%
Isle of Man	12%	11%
TOTAL	66%	69%

Location

In terms of the location of the properties owned, these jurisdictions account for more investment in the North West (75%), East Anglia (70%) and the South West (70%), and less investment in the North (50%), Wales (57%) and the West Midlands (60%), when comparing to their overall market share of 67%.

When looking at London and the South East, the share of these jurisdictions is in line with their overall share of UK property ownership (67% and 66% compared to 67% overall). However, companies based in the BVI account for a third (34%) of Greater London properties owned by overseas entities, compared to only 16% in Jersey, 9% in the Isle of Man and 8% in Guernsey.

Appendix A: Attempts to survey decision makers of overseas entities that own UK property

The original intention of the research was to complete a quantitative survey of 200 key decision makers of overseas companies or other legal entities that own UK property or land.

Given the difficulties in reaching key sector stakeholders (the other element of the research which commenced before any attempts to contact overseas entities) and the decision to convert to a qualitative methodology with key stakeholders, it was decided to also pursue a qualitative methodology with overseas owners; aiming for 30 interviews.

The sample of key decision makers was to come from HM Land Registry's 'overseas companies' dataset which contains title records of freehold and leasehold property in England and Wales registered to foreign-owned companies.

A selection of 600 records were selected from the database (a 20:1 sample to interview ratio), with a deliberate skew towards residential properties over commercial.

The HM Land Registry database included the proprietor company name and address owning each title, but no telephone details. Therefore, telephone numbers needed to be sourced.

Initially the 600 records were sent for telematching with a commercial telematching service (UK Changes). However, the results of this returned very few matched telephone numbers (2%). Calls to these telematched records did not lead to any interviews – it proved to be the case that the companies listed were shell companies, of which some no longer existed.

A manual telematching exercise was then carried out to try to source contact information for the proprietors through internet searches. This again yielded very little return with, again, the proprietors listed appearing to be shell companies (even those with a recent upload date to the HM Land Registry), thus providing difficulty in finding contact details for key decision makers.

After significant resource had been put to the manual telematching efforts, it was agreed with BEIS that IFF would not pursue the element of the research with decision makers of overseas entities owning UK property.

Appendix B: Copy of the qualitative discussion guide

Overseas Ownership Key Industry Players
Qual Discussion Guide

A Introduction

- **Interviewer and IFF introduction:** thank you for agreeing to take part in the research we are conducting on behalf of the Department for Business, Energy and Industrial Strategy.

  Background to the research: The research is concerning the government's intended policy for increasing transparency on the owners and controllers of overseas companies and other legal entities which invest in property and land in the UK. Specifically, the government intends to introduce a register of the beneficial owners of overseas companies owning UK property.

  As a stakeholder in this industry we are looking to explore your views on the potential impacts of this policy on the UK property and investment.

  The interview will last around 45 minutes.

- IF NECESSARY: **MRS Code of Conduct and Confidentiality:** IFF Research is an independent market research company, operating under the strict guidelines of the Market Research Society's Code of Conduct. We will not pass any of your details on to any other companies. It will not be possible to identify any individual or business in the results that we report to BEIS and the answers you give will not be traced back to you.
- **Data use:** All the information we collect will be kept in the strictest confidence and used for research purposes only.
- **Request permission to record**

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B Background information

I'd like to start by getting some information about your organisation.

B1 **First of all, could you give me a brief overview of the organisation you work for?**

PROBE IN TERMS OF:

- Size of organisation
- Main activity of organisation
- Where they are located (multiple branches across the UK/overseas/London?)
- Involvement with foreign companies and other legal entities / role in the UK property market

B2 **And could you give me a brief overview of your role and responsibilities within your organisation?**

B3 **In your line of work, how often do you come across overseas companies or other legal entities based overseas that invest or purchase property or land in the UK?**

- IF SO: **Where are the overseas entities you have dealings with typically based?**
- **Do they tend to be individuals setting up a company structure specifically to invest or purchase property in the UK, or are they companies already involved in economic activity in the UK e.g. purchasing a property to establish a branch/subsidiary for their business?**
  - Where in the UK do they mainly make their investments or purchase property?
  - What value of property or land do they tend to invest in/purchase?
  - Does it tend to be for new builds or second hand/older housing?
  - Does this tend to be commercial property or residential property?
  - What tends to be the purpose behind the purchase?
    - For use as main residence? / Second residence?
    - To house company staff?
    - Investments?
    - Buy-to-let investments?
    - To conduct economic activity in the UK – e.g. have a UK branch or subsidiary

B4 **What are the main reasons why individuals might choose to use an overseas company structure for purchasing property in the UK?**
INTERVIEWER NOTE – ASK ALL (EVEN IF THEY DON'T WORK WITH INDIVIDUALS THEMSELVES)

- PROBE FOR: Anonymity? Tax reasons?

C Reasons for investing in UK property

I'd now like to explore your views on the reasons why people choose to invest in the UK.

C1 **How would you describe the UK's reputation as a place for foreign companies and other legal entities that invest in property or land?**

- Probe for: attractive or unattractive. Why do you say that?
    - IF ATTRACTIVE, PROBE FOR: Tax/economic reasons? Cultural and language reasons? Reputation of legal system? The potential for investing with a degree of anonymity?
    - IF UNATTRACTIVE, PROBE FOR: Bureaucracy? High tax relative to competitors? Political instability (incl. Brexit)?
- **Has this changed at all over the past few years?**
    - What make you say that? / Why has it changed?
    - PROBE FOR: whether this has been as a result of EU exit, changes in tax, etc. If mention tax and EU exit ask what they feel has had the biggest impact - tax?

C2 **How, if at all, has the UK's decision to leave the European Union affected the appetite for foreign companies and other legal entities to invest in UK property or land?**

- ALLOW SPONTANEOUS, IF WILL AFFECT APPETITE PROBE FOR:
    - Devaluation of the pound (made the UK more/less attractive?)
    - Economic outlook
    - General uncertainty
    - For estate agents: have they noticed a rise/decline in demand from foreign companies wanting to purchase property

D Impact of policy

D1 **How important are sales of property to overseas companies and other legal entities to house building in the UK? (NB – can include commercial property)**

- Why do you say that?

D2 **I'm now going to read out some further information about the government's intended policy for making overseas ownership of UK property more transparent.**

The policy will include a new register, whereby overseas companies and entities that buy property in the UK will have to register with Companies House and provide information about the beneficial owners of the owning company. Once registered, they will receive a registration number, which will be required to become legal owners of the property.

Overseas companies and entities that already own property in the UK, will be given a transitional year where they must either register their details, or dispose of their property. If they do not comply they will be prevented from selling, leasing or mortgaging their property.

At this stage it is envisaged that the information about beneficial owners of overseas entities will be *publicly* available. This will ensure transparency over who owns the companies that buy UK property and increase the ease of scrutiny by law enforcement bodies and transparency groups.

There are, however, some situations where making information about an individual public would put that individual at risk of harm. In such cases, the government is proposing to have measures in place to allow a company or individual to have their information on the public database supressed. Also, companies listed on an approved stock exchange would not be required to register.

- **How would UK house sales and house building be affected if the policy was introduced?**
- PROBE FOR:
    - The channels through which a change in property sales might lead to a decline/increase or no change in house building. Reduce the purchase of property off plan and therefore unable to build the property?
    - If there is a decrease in sales what alternatives do they think these foreign companies would invest in?
        - Would they go and purchase property in a different country or would they invest in an alternative asset in the UK?
        - Would they continue to purchase property in the UK, but would just not set-up a company structure, e.g. purchase as an individual?

D3 **How do you think this policy will affect the UK's reputation as a place for foreign companies and other legal entities to invest in property or land?**

- Probe for: more attractive, less attractive or no change? Why?
- IF LESS ATTRACTIVE: Which other countries or foreign cities – if any – would they likely invest in instead?

D4 **How do you think this policy will affect…**

- **…Transparency of the UK property market?**
  - Is this a positive or negative change? Why?
- **…Buyer confidence in the UK property market?**
  - Any impact on the perceived integrity and reputation of the UK property market?
- **The potential for illegal activity involving the purchase of UK property?**
  - Is this a positive or negative change? Why?
- **How would the policy affect the ability for individuals that own property in the UK to remain anonymous?**

D5 **How do you think the policy will affect you as a stakeholder in the industry?**

  - How? / Why?

- FOR LAWYERS - Any impact on performing customer due diligence? Any impact in completing transactions?
- FOR PROPERTY DEVELOPERS – ability to build a new project? Ability to sell off plans? Probe how and why?
- FOR ESTATE AGENTS – sales of property in the UK? If foreign companies reduce their demand for property in the UK? What else will they invest in? Will they purchase property elsewhere; will they invest in other asset in the UK; will they purchase property in the UK as an individual rather than company – zero effect for the UK?

D6 **As mentioned earlier, it is envisaged that the information about beneficial owners of overseas entities will be on a publicly accessible database. What effect, if any, do you think having this information publicly available will have on the UK property market?**

- PROBE FOR: make the UK more or less attractive for investment?

D7 **Do you think the introduction of the new policy will protect individuals that are at risk of violence or intimidation as a result of that information being made public? Why?**

- Why do you say that?
- Do you think the proposed safeguards to protect individuals at risk of harm are sufficient?
- Why / Why not?
- IF NOT: What other enhancements would you propose?

D8 **Are there any other impacts or benefits that you think the policy proposals may have?**

- IF SO: **What are they?**
  - PROBE FOR: **impacts/benefits to buyers and sellers?**
  - **Impacts/benefits to the wider community / civil society?**
  - **Impacts/benefits to other countries (i.e. the UK's competitors)?**

D9 **How, if at all, do you think the policy will affect the use of trusts as a way to invest in or purchase property or land in the UK?**

- PROBE FOR: **Would using trusts become a more attractive option?**

E Differing impacts

I would now like to explore how the policy may affect different elements of the property market. Some of these may or may not be relevant to the areas of the property market you deal with, in which case just let me know and we'll move onto the next one.

E1 **Firstly, in your opinion, how will the proposed policy changes affect the residential property market?**

EXPLORE:

- Differing impacts on freehold vs. leasehold property
- Differing impacts on London property vs. rest of UK
- Differing impacts on high-end property vs. low-end
- Differing impacts on property bought as an investment vs. property purchased for use by companies for the purpose of trading and/or to conduct economic activity e.g. housing employees

E2 **And now thinking specifically about the commercial property market, how will this be affected by the proposed policy changes? Explore:**

EXPLORE:

- Differing impacts on freehold vs. leasehold property
- Differing impacts on London property vs. rest of UK
- Differing impacts on high-end property vs. low-end
- Differing impacts on property bought as an investment vs. property purchased for use by companies for the purpose of trading and/or to conduct economic activity e.g. establishment of branch or subsidiary

F Final wrap up

F1 **In addition to what we have spoken about so far, are there any additional impacts that the new register will have on overseas investment in the UK or the UK property market?**

F2 **Is there anything else around the proposed policy we've discussed today that you would like to add?**

ASK NEW SAMPLE ONLY (I.E. NOT QUANT RECONTACTS)

F3 **Thank you very much for taking the time to speak to me today. Would you be able to put us in touch with any other businesses like yours that might also like to participate in the research (i.e. businesses or organisations with involvement in the UK property market who may be affected by the policy proposals)?**

IF YES, GET DETAILS:

Business name:	
Business contact:	
Email address:	

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