90 NORTH

Private and Confidential

Mr A McGuinness
Specialist Personal Tax
Assets and Residence Policy
HM Revenue and Customs
100 Parliament Street
London
SW1A 2BQ

6th May 2014

Our ref: HMG/140506

Dear Mr McGuinness

Consultation Document - Implementing a Capital Gains Tax Charge on Non-residents

We are grateful for the opportunity to comment upon the proposals for changes to the capital gains tax treatment of UK residential property held by non-residents. Firstly, we preface all of our comments with the statement that we recognise that there is a need for the HMRC to stop perceived tax avoidance schemes where there is a loss of tax to the Exchequer. However, we believe that the proposals relating to commercially let property contained in the Consultative Document published 28th March 2014 are very damaging for the reasons set out below (we make no comment on those concerning 'non-commercial' ownership of property).

1. *There has been substantial investment by overseas investors in acquiring and funding (the development of) substantial residential, commercially let, property in the UK. This has provided a huge amount of investment, for example, in the UK's student housing stock (to give a single example, our firm has advised on c. £90m of investment in student accommodation, with more such investment anticipated). We do not believe the UK Government would wish to deter that investment going forward - which the current proposals would do.*

2. *The UK Government has set out to attract Shari'ah (Islamic) compliant investment in the UK. As you know sectors acceptable to Muslims are restricted and commercially let residential development is very attractive to international / non-resident capital. The introduction of a CGT charge would deter this and UK's attractiveness for investment (we are already seeing a shift in focus to European real estate, at least partially in response to the uncertainty that has now been created).*

3. *Whilst the application of a CGT charge would likely have an impact on London's overheating housing market, the application of a CGT charge on commercially let residential will damage the UK as a whole - not we suspect as intended.*

4. *Finally, the UK Government has constantly communicated that the 'UK is open for business' to attract international investors. This proposed charge on commercially let*

residential will communicate the absolute opposite, particularly at a time when domestic sources of investment remain low.

In conclusion, we consider that the proposals, as currently drafted, will be both damaging to the UK economy and will push foreign investors away from the UK property market. As a minimum, it is imperative that further consultation is sought, once the draft clauses are published, to allow for proper dialogue with those who work in the real estate sector and who will be affected by the changes.

Yours sincerely

90 North Real Estate Partners LLP

90 North is an independent investment advisory firm, specialising in Shari'ah compliant real estate investments. 90 North identifies real estate investment and development transactions, co-investing alongside its investors in every transaction.