

Economic Crime (Transparency and Enforcement) Act 2022



Important changes for overseas investors in UK real estate

In light of the current socio-political climate provoked by Russia's invasion of Ukraine on 24 February 2022, the Government has expedited its efforts in reforming the laws on corporate criminal liability in the UK.

The intention of these new legislative measures is to prevent the UK from being a "safe haven" for "dirty money" and to provide greater transparency in the ownership of UK property.

The Economic Crime (Transparency and Enforcement) Act 2022 received Royal Assent on 15 March 2022 and focusses on the following three areas:

- lowering the liability threshold for imposition of a civil monetary penalty for breaching financial sanctions;
- expanding the remit of the existing Unexplained Wealth Order (UWO) tool; and
- creating a new register requiring those behind foreign companies which own UK property to reveal their identities.

Timing

The overseas register which is to be set up and maintained by Companies House (working closely with the UK's three land registries) is not yet live and the registration requirements are therefore not yet in force. However, given the current socio-political climate we expect implementation of the legislation to be imminent.

What you need to know

- Overseas entities owning a freehold estate in land or a leasehold estate in land granted for more than seven years in the UK will need to register and provide certain information to Companies House in respect of their beneficial owners.
- This information needs to be provided within six months of the register being set up by Companies House.
- The registration requirements will also apply retrospectively to property acquired by an overseas entity and registered at HM Land Registry on or after January 1999 in England and Wales.
- Slightly different rules apply in Scotland and Northern Ireland with differing timescales but the broad principle is for the legislation to apply to all freehold and registrable leasehold titles throughout the UK.
- Not only does the legislation have retrospective effect but it has also been drafted so as to circumnavigate the opportunity for a quick sale. Any Overseas Entity that disposes of property between 28 February 2022 and the end of the six month transitional period will be required to register or submit information on the sale.
- Penalties for non-compliance include criminal liability which, depending on the offence, can be punishable by up to five years' imprisonment for the most serious offences as well as significant fines.
- Once the legislation is in force, HM Land Registry will not register an overseas entity as the owner of property without an overseas entity ID. Furthermore, failure to comply with the registration requirements will enable HM Land Registry to place restrictions on the title register of the qualifying property to prevent any sales, charges and leases being registered.
- Whilst the new legislation will directly affect overseas entities, there will also be a practical impact for counterparties transacting with overseas entities captured by the legislation including the potential need to adapt due diligence processes and contractual arrangements to require compliance with the various continuing duties for overseas entities under the legislation.

Guidance and support

We will issue a further update once we have clarity on when the registration requirements will come into force and once we've had sight of the regulations which will be critical to understanding how the register will work in practice.

In the meantime, download our client guidance note for further information.

Alternatively, contact [Claire Durkin](#) or [Christobel Smales](#) who would be happy to assist should you require any further advice, assistance or guidance.



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