

ECONOMIC CRIME ACT - REGISTER OF OVERSEAS ENTITIES HOLDING UK PROPERTY USHERED IN

25 March 2022 | Insight
Legal Briefings

Anti-corruption law requires foreign entities holding UK property to reveal their beneficial owners

Following the introduction of the Economic Crime (Transparency and Enforcement) Act 2022 (the Act), overseas entities that own land in the UK, or intend to acquire land in the future, will have to register details of their beneficial owners on a new register of overseas entities, maintained by Companies House.

The measures are a major plank of the new statute, which was fast-tracked to receive Royal Assent on 15 March as part of a package of measures aimed at tackling opaque and illicit wealth in the wake of Russia's military action in Ukraine.

This snapshot summarises the key provisions of this new regime and how they impact land transactions¹.

Who will have to register?

- Any overseas entity that currently holds a freehold or leasehold estate of more than seven years acquired on or after 1 January 1999.
- Any overseas entity that intends to acquire a freehold or leasehold estate of more than seven years.
- For the purposes of the Act, an overseas entity means a legal entity that is governed by the law of a country outside the UK.

What is the deadline for registration?

- Within six months of the registration requirements coming into force (the transitional period), an overseas entity with registrable land interests needs to have applied for registration at Companies House²
- Failure to comply with the registration requirements by the end of the transitional period is a criminal offence.

What are the registration requirements?

- The overseas entity applying for registration will have to either identify any registrable beneficial owners of the entity or confirm that it has none.
- Broadly speaking, a registrable beneficial owner is a person directly or indirectly holding 25% or more of the shares or voting rights of the overseas entity or who otherwise has the right to exercise significant influence and control over it. This concept is modelled on the existing regime governing people with significant control (PSC). See our briefing on the PSC regime [here](#).
- Where the registrable beneficial owner is a trustee (including arrangements outside the UK of a similar character to a trust) the information provided must include detail as to the identity and location of each beneficiary, settlor or grantor of the trust. This includes former trustees of a trust.
- The information on the register needs to be updated on an annual basis and failure to update is a criminal offence.
- Non-compliance with the requirements can result in fines of up to £2,500 a day or up to five years in prison.

How will this impact land transactions?

- An overseas entity will not be entitled to be registered at the Land Registry as the proprietor of land in the UK unless on the register of overseas entities.
- During the transitional period, when an overseas entity applies for registration at Companies House, it must include details of any relevant dispositions of land it has undertaken during the period from 28 February 2022 and ending on the making of its application.
- A "relevant disposition" of land includes the transfer of a freehold interest, the grant of a lease more than seven years (a registrable lease), an assignment or surrender of a registrable lease or the grant of a legal charge.
- During the transitional period, the Land Registry must place a restriction on the title to any freehold or leasehold estate (for a registrable lease) currently held by an overseas entity which was acquired on or after 1 January 1999.
- After the transitional period, these restrictions on title will take effect and will prevent a relevant disposition of the estate by the overseas entity unless it is registered on the overseas entities register.
- If a disposal is made in breach of such a restriction, a criminal offence is committed, and the disposal will not be capable of registration at the Land Registry. Note that there are limited exceptions where the disposal is made in the exercise of a power of sale by a chargeholder or receiver, or by a specified insolvency practitioner.

The Act includes a series of other measures, including increasing scope for the UK Government to more quickly impose sanctions against oligarchs already designated by allies, as Western states step up economic pressure on Russia in the wake of the Ukraine conflict. The Act also revises the framework for Unexplained Wealth Orders, which obliges individuals suspected of amassing funds through illicit means to explain their origin, to widen their potential use.

1. The Act also makes amendments to the unexplained wealth orders regime set out in the Proceeds of Crime Act and to the sanctions regime as set out in the Policing and Crime Act 2017 and the Sanctions and Anti-Money Laundering Act 2018. Please contact our Corporate Crime team to discuss these changes.
2. Note that the commencement date for these provisions is still to be confirmed

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[Economic Crime Act - Register of overseas entities \(pdf 125.72 KB\)](#)

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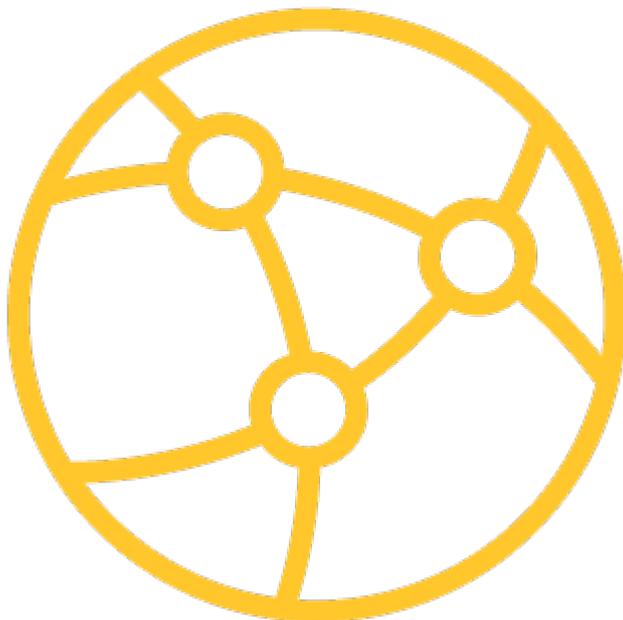
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