

News

The new Economic Crime Act

12 April 2022

The Economic Crime (Transparency and Enforcement) Act 2022 (ECTE) was passed on 15 March 2022. This legislation is designed to prevent foreign owners from laundering their money through UK property by establishing a new register of overseas entities that records beneficial ownership.

The legislation also contains new measures to enhance the unexplained wealth order (UWO) and sanctions regimes. You can find [more information \[https://www.gov.uk/government/publications/economic-crime-transparency-and-enforcement-bill-2022-overarching-documents\]](https://www.gov.uk/government/publications/economic-crime-transparency-and-enforcement-bill-2022-overarching-documents) in the legislation and supporting materials.

Register of overseas entities

Companies House will maintain a registry of overseas beneficial ownership for overseas entities. The legislation requires all foreign registered legal entities that have taken ownership of land in the UK after 1 January 1999 to submit their beneficial ownership details. Their names will be available publicly.

Registrable beneficial owners are persons that exert 'significant interest or control' over an entity or own a stake of greater than 25 per cent in it. This is aligned with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 which defines a beneficial owner as any individual who 'ultimately owns or controls... more than 25% of the shares or voting rights in the body corporate'.

The ECTE specifies that the true ultimate beneficial owners of property (ie natural persons) must be recorded. The names of parent corporate entities or nominees will not be accepted by the registrar.

Overseas entities will have six months from when the register is established to register their beneficial owners. The register is not yet live and will be implemented through subsequent legislation.

Overseas entities are also required to declare any beneficial ownership of properties between 28 February and when the new register opens, notwithstanding that ownership has changed during that time.

The legislation imposes maximum fines of £2,500 per day for each officer of the overseas entity (applicable to all registered directors, managers, and secretaries) for non-compliance with the new registration

obligations. Greater fines or imprisonment may be imposed for more severe non-compliance such as giving false information to the registrar.

What this means for you

We know that firms we regulate offer corporate services on behalf of overseas entities that own UK property. You may have an agreement with your client where you are deemed to be the corporate point of contact for the entity. We recommend you make your client aware of their new obligations. Your client may expect you to report entity beneficial ownership information to the registrar. This must occur within the given period of six months from 28 February 2022.