

PROPERTY INVESTMENT NOTES

There are many interesting planning opportunities in property taxation and set out below we touch on some of the matters worth taking a look at:-

- There are income tax, capital gains tax and inheritance tax advantages if your property satisfies the conditions for furnished holiday lets. It doesn't have to be 'beside the seaside beside the sea' - anywhere will do - as long as it is available for short-term lets for 140 days in the year and actually let for 70.
- You can earn up to £4250 p.a. tax free from renting a room in your home to a lodger. It may not sound a lot - but you would need to invest a capital sum of over £125,000 to obtain an equivalent net income.
- Letting business property rather than residential has capital gains tax advantages - down to a 10% rate of tax after 2 years, whereas CGT on property let residentially will reduce from 40% to 24% over 10 years. One nice little twist - if you let your residential property to a business which then uses the property in its trade (for example, to house employees whilst on short term secondments) then you have made a commercial let.
- If you have a buy to let property which is not fully mortgaged and you wish to raise some cash - perhaps for improvements to your own home or maybe to pass to the children for inheritance tax planning, then there may be some scope for borrowing against that property and obtaining tax relief on the mortgage interest.
- Although the chancellor has now changed his mind about allowing the purchase of residential property through a self invested pension plan (SIPP), there is still scope for buying commercial property for pension purposes providing certain conditions are satisfied.
- Watch out for Stamp Duty Land Tax (SDLT). In particular the leap from 1% to 3% when you step over the £250,000 threshold. It may be possible to distinguish fixtures and fittings and sell these separately in order to keep the price at £250,000 or below - you need to be realistic in values if you do this.
- If you are buying properties for use in your business or as an investment consider very carefully in whose name you buy them - personal, joint, business or pension fund - transferring ownership afterwards may well incur further expensive stamp duty costs.
- If you purchase new business premises and find that you need to renovate or remove any of the existing fixtures and fittings, make sure you keep an inventory of everything you bought and speak to us straight away - it could qualify for valuable tax reliefs.
- If you own two houses and have lived in both homes at any stage, there is often scope for Capital Gains tax relief. With careful planning, principal private residence relief and the associated lettings relief can be maximised.
- Remember property owned by a husband and wife is normally as 'joint tenants' and your share passes automatically to your spouse on death. However if you change to 'tenants in common' it can allow you scope for Inheritance Tax planning as you can then leave your share in the property to whomever you wish - via your will.

dmc partnership Chartered Accountants

Yew Tree House, Lewes Road, Forest Row, East Sussex, RH18 5AA

TEL 01342 824181 FAX 01342 825323 EMAIL info@dmcpartnership.com

This newsletter has been written for the general interests of our clients. Please seek advice on specific issues, as there may be certain errors or omissions for which we cannot be held responsible.