



...Property investment



Property ownership and investment have a number of different tax implications, so it is essential to have a proper tax plan in place. We act for a number of letting agents and buy-to-let investors of residential property and can advise on a range of issues affecting this sector. This guide introduces a few of the areas where we can assist.

Claiming expenses

If you let out property you can deduct certain expenses and tax allowances from your rental income to work out your taxable profit or loss. The expenses you can deduct from letting income (unless it's under the 'Rent a Room' scheme) include:

- letting agent's fees
- legal fees for lets of a year or less, or for renewing a lease for less than 50 years
- accountant's fees
- buildings and contents insurance
- interest on property loans
- maintenance and repairs to the property (but not improvements)
- utility bills

- rent, ground rent, service charges
- Council Tax
- the cost of travelling exclusively for property letting purposes
- services for which you pay, such as cleaning or gardening.

However, it is not possible to claim 'capital' costs, such as furniture or the property itself, personal expenses, or any loss you make when you sell the property.

As experts within this field, we can work alongside you to ensure that you are claiming all of your allowable expenses.

Tax allowances

Where a taxpayer lets a residential property furnished, capital allowances cannot be claimed on furniture, furnishings or fixtures within the property. Instead, a deduction can be claimed for a wear and tear allowance of 10% of the net rent from the furnished letting. This covers the depreciation of items such as suites, beds, carpets, curtains, linen, crockery, cutlery, cookers, washing machines and dishwashers. In addition to this 10% allowance it is also possible to claim a deduction for the cost of renewal of fixtures such as baths, washbasins and toilets.

For commercial properties, capital allowances may be claimed in respect of plant and machinery supplied by the landlord. The allowances are calculated in the same way as for trades and are deducted as an expense.

We can advise on the expenses and allowances for which you may be entitled as well as the timing of any claims.

Record keeping

If you let residential property you will need to keep records of rent received and your expenses in order to work out the profit that will be liable to tax.

Whether it is a residential or holiday letting, in the UK or overseas, the records should include details of your:

- rental income
- allowable expenses
- capital costs.

It is essential to maintain up-to-date records. Let the experts help you – contact Tuchbands today.

Forming a limited company

We are often asked, 'Should I form a Limited Company?' The reality is that there is no easy answer. Each situation has to be judged individually. As well as the obvious issues of tax and national insurance contributions there are many other potentially relevant factors, such as:

- the business
- its expected rate of growth

- the degree of commercial risk
- administrative obligations
- personal preferences
- pensions and retirement.

Letting part of your home

Under the 'Rent a Room' scheme, income from letting furnished rooms in your home will be exempt from tax if the gross annual rent does not exceed £4,250. If you are letting to lodgers who live as part of the family, there will be no loss of capital gains exemption. Otherwise, there may be some restriction.

Furnished Holiday Lettings (FHLs)

Property businesses which comply with the relevant conditions can qualify for some very important tax concessions. FHLs are treated for tax purposes as if they were trades. Unlike other domestic lettings, the expenses can include capital allowances on furniture and kitchen equipment. The income counts as earnings for pension contribution purposes and there are other advantages relating to the disposal of such properties.

Tuchbands have a wealth of expertise in property tax. We can help to minimise your tax liability, ensuring that you utilise any allowable expenses and tax reliefs that may be available.

Please contact the Tuchbands team for more information.

Our promise to you includes: Fixed Fee Accounting Balancing the books with no 'hidden extras'

We offer transparent fixed fee packages that are simple and straightforward but still tailored to suit the specific needs of your business. We don't want our clients to receive any nasty surprises so we will work with you to put together the perfect package for your business. Business basic starts from as little as £150 a month.