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The Property Tax Specialists

Newsletter

April 2021

With 5th April only a few days away we are focusing on Year End for our Individual clients and those Limited Companies whose Year End coincides with the end of the tax year.

Now is the time to review your pension contributions and tax efficient investments to ensure you are using all available allowances before the end of the tax year.

We will be sending out our proforma request for information in May to allow individuals time to get their records from related third parties.

In the meantime, here are some things to remember for now and the future:

- **Record Keeping - How long to keep your records and what to keep**
HMRC requires Limited Companies to keep all financial records for a minimum of 6 years.

You can be fined £3,000 by HMRC or disqualified as a company director if you do not keep accounting records.

Records should be kept (where relevant) including:

- all money received and spent by the company, including grants and payments from coronavirus support schemes
- details of assets owned by the company
- debts the company owes or is owed
- stock the company owns at the end of the financial year
- the stocktakings you used to work out the stock figure
- all goods bought and sold
- who you bought and sold them to and from

You must also keep any other financial records, information and calculations you need to prepare and file your annual accounts and Company Tax Return. This includes records (where relevant) of:

- all money spent by the company, for example receipts, petty cash books, orders and delivery notes
- all money received by the company, for example invoices, contracts, sales books
- any other relevant documents, for example bank statements and correspondence



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- **Ownership of Investment Properties by Spouse or Civil Partners - Form 17 Election**

Where a buy-to-let property is owned jointly, the tax implications depend on the relationship between the parties. If the joint owners are married or in a civil partnership, there are special rules to be aware of:

Default Position

Regardless of the actual ownership shares, income arising from property jointly owned by spouses (or civil partners) in a **Joint Tenancy** (or a Beneficial Joint Tenancy) is treated as arising to them in equal shares. If the couple do nothing to change this, each partner will be taxed on 50% of the rental profits from their jointly owned property.

This 50:50 split may be advantageous, or it may not. It depends on the rate at which each individual pays tax.

There are 2 way of owning property jointly:

1. **Joint tenants** (sometimes called 'beneficial joint tenants')
 - You have equal rights to the whole property regardless of how much each person contributed
 - Both parties are liable for 100% of any mortgage.
 - The property automatically goes to the surviving person if one dies
 - You cannot pass on your ownership of the property in your will
 - Any income from the property is treated, for income tax purposes, as 50:50 between the owners.

This is usually how most married/civil partnership couples purchase property.

2. **Tenants in common**
 - You can own different shares of the property.
 - The property does not automatically go to the other owners if you die
 - You can pass on your share of the property in your will
 - Any income arising is split between the parties depending on percentage of ownership, unless parties are married or in a civil partnership, in which case income is automatically split 50:50

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Form 17 Election

Where the default split does not produce the best result from a tax perspective, the couple can choose to sever the Joint Tenancy and become **Tenants in Common**. Both parties can enter into a Declaration of Trust (DOT) to transfer beneficial ownership in whatever proportions they wish. **There is no change to the legal title**. They can then elect on Form 17 for the rental income to be allocated for tax purposes in accordance with their underlying beneficial ownership shares.

The Form 17 can be submitted at any time in the tax year and the new division of rental income and expenses will take effect from the signing of the DOT, if the Form 17 is submitted to HMRC within 60 days

or

from the date of the receipt of the Form 17 by HMRC if it is submitted after 60 days from the signing of the of the DOT

Income is treated as arising in accordance with the underlying beneficial ownership from the date of the Form 17 election. Income received prior to the date of the election is treated as arising equally.

- **HMRC Investigation Fee Protection Insurance offered to new and existing clients from 1st April 2021**

In response to requests from our clients we have teamed up with Vantage to offer you financial protection against excess fees which can accrue in the case of HMRC investigation. Sign up from the email we sent on 4th March or via the Vantage website at <https://calculated.vantagefeeprotect.com/>

- **Move to Xero - Making Tax Digital**

We are no longer offering a spreadsheet bookkeeping option to new clients. All new clients will be added to Xero. This will ensure a smooth transition to Making Tax Digital compliance.

Existing clients who wish to move from the spreadsheet option to Xero should contact their Calculated Tax Consultant.



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- **Property Tax Consultation Bookings**

Don't forget, if you need to book another consultation you can do so directly via the Calculated website, Property Tax Consultations page.

<https://www.calculateduk.com/services/property-tax-consultations>

- **Inheritance Tax Consultations**

IHT Consultations will be added to the Calculated Consultation Booking System in summer 2021.

Look out for further details on how to book an IHT Consultation via the Calculated website.