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The Property Tax Specialists

# Newsletter

May 2021

**Out with the old and in with the new!**

**The new tax year brings a reminder to our Individual Clients to gather your personal financial information in readiness for us to start work your personal tax returns for 20/21 and tax efficiencies for 21/22 .  We will begin to send out reminders in July but to help you start, here is a quick summary of information we will need:**

- **Tax , Employment and Benefits**
  Employed, sole trader or partnership?  We will ask for copies of your P60/P45/P11D/EIS/SEIS certificates.  Will will also ask for details of any State benefits you receive including Child benefit.  Details of government grants will received will be required.

- **Pension and Loan Payments**
  Including personal pension contributions and student loan repayments.

- **Current and Planned Properties**
  How many and if they are owned individually,or jointly.

- **Partnership and Investment Income**
  Bank interest, dividends from quoted companies or your own limited company, pensions, etc. (non-ISA investments only)

- **Gross rental income**
  Including any interest paid.  We will also ask for certificates for mortgage interest

- **Capital Gains**
  Do you receive income from the sale of non-property assets (sale of shares, valuable items, chattels, etc).  Did you dispose of any shares in the year?

- **Expenses**
  Including: Insurance
  Repairs & Maintenance
  Cost of replacing domestic items (eg White goods or furniture)
  Mortgage Interest Paid
  Management Fees
  Legal and Professional Fees
  Mileage and Travel expenses

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**Just a reminder that Limited Company is a separate legal entity to an Individual.**

**If we also look after the accounts for your Limited Company we will request information shortly after the company year end. We have also provided a handy reminder of the information we will request for Limited Companies below.**

- **Bank Account**
  If the company has a bank account, we will require a copy of the year end bank statement reflecting the balance. We will also need transaction information, through Xero if your have already set up your bank feed, or csv/excel spreadsheet download.

- **New Properties**
  We will ask for details of all new properties that the company has exchanged on during the year including legal invoices reflecting amounts paid on exchange. For all purchases that have completed during the year, we will need copies of the completion statements.

- **New mortgages**
  If you have re-mortgaged a property or raised a mortgage on a new purchase, we will require the Mortgage offer document and the Mortgage statement reflecting balance at year end and interest paid during the year.

- **Disposals of Properties**
  If the company has sold any properties we will require copies of the final completion statements and the final mortgage statement

- **Valuation of Properties**
  If any properties have increased materially in value, please provide us with a fair market value for that property and the basis for the valuation ie: recent sales in the area or estate agent valuation.

- **Other Information we will require includes:**
  Mileage
  Expenses and Repairs
  Subscription and Telephone Costs
  Home Office Costs
  Loans / Government Grants

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**Other News**

**Our Inheritance Tax Consultations will soon be available to book via our website.**

- **Passing on the family home and "frozen" nil-rate bands**
  The Chancellor recent announcement that the IHT nil-rate band and residence nil-rate band (RNRB) are to be frozen until April 2026 may impact those looking to pass on their family home.

  The freezing of both the nil-rate band and the RNRB until April 2026 effectively means that more people will pay IHT, as the value of estates increase as a result of inflation and rising property prices. This can be particularly problematic where property is concerned, as property prices tend to increase over time.

  **TIP**: Plan ahead to gain protection from IHT if property prices rise while the nil-rate bands are frozen.

- **Family home valuation for IHT purposes**
  Land and buildings such as the family home are often held in joint names, by spouses (or civil partners), or parent and offspring. When it comes to valuing an interest in a jointly-owned property for inheritance tax (IHT) purposes (e.g. on death), it is necessary to consider the valuation methodology and whether the property is held as 'joint tenants' or 'tenants in common'.

  Disposals of joint property interests as tenants-in-common are possible during lifetime or by will. A tenant-in-common interest in the family home would entitle the co-owner to occupy the whole property. On the transfer of an interest by a tenant-in-common (e.g. an interest passing from father to adult daughter on death), father's share could be eligible for a discount, generally of between 10-15%, although the actual level of discount will be subject to the Land Tribunal's agreement based on the particular facts and circumstances.

  However, where the property is held jointly by spouses or civil partners, HMRC is likely to challenge any discount claimed on a joint property interest passing on the first death, under the special valuation rules for 'related property'. A joint tenancy cannot be severed by will.

  **TIP**: Consider a deed of variation. HMRC seemingly accept that a joint tenancy can be treated as having been severed by will for IHT purposes by a deed of variation.

**The Most Dangerous Accounting Mistakes For Your Property Investment Business**

Starting your own Property Investment business is an amazing thing to do but it's also risky. There's a lot to think about when you first start out and it can be tempting to put tax and accounting on the back burner, but that would be a huge mistake.

Good accounting is crucial to the financial health of your business and mistakes can be devastating, especially in the early days. It's important to know which mistakes to avoid to ensure that your business is around for years to come.

**1. Bad Bookkeeping**
New business owners are often overwhelmed and tend to neglect bookkeeping. However, it's essential that you keep the books up to date and record all of your earnings and expenses. Without this data, you won't have a clear picture of how you're faring financially, which can lead to a myriad of nasty problems.

Meticulous bookkeeping allows you to spot trends, understand your spending and examine which practices generate the largest ROI. You can then leverage this data to improve the financial health of your business, maximise your profits and manage your cash flow. Staying on top of the books allows you to stay one step ahead and put out fires before they start.

**2. Using Outdated Practices**
You're a 21st century Property Investment business and your accounting practices should reflect that. Online accounting and bookkeeping software is faster, easier and dramatically more efficient than ledgers and Excel spreadsheets.

Online accounting software such as Xero is easy to learn and significantly reduces the margin of human error by automating processes and calculations for you. This means that you're much less likely to make mistakes on your tax return. It also allows your accountant easy access to your financial information, cutting down the number of reminder emails, requests for csv files or excel spreadsheets and copies of invoices at the end of the year.

With this type of software, you won't have to spend hours updating and organising your financial information. Another benefit is that it allows you to locate and cross-reference information quickly and easily, without having to spend hours searching for the right files. It may be more expensive than the DIY approach initially, but using online software will save you many man hours.

**3. DIY Accounting**
Accounting is complicated; there's a reason it takes accountants years to fully qualify. Trying to manage your accounts all by yourself is a surefire way to waste time and stress yourself

out. Besides, without extensive financial knowledge it's unlikely that you'll be able to save a significant amount of money on your tax return. Furthermore, you'll be heavily penalised for making even a minor mistake on your return which could cause financial problems for your business.

Trying to manage on your own is a drain on your resources so the sooner you seek professional help, the better. Investing in the services of experienced Property Tax Consultants and Accountants is one of the best decisions you can make regarding the financial health of your Property Investment business.

Accountants are here to help you make the right decisions on structure and forward tax planning to make your Property Investment Business as tax efficient as possible.

**Summary**

It's important to avoid the above accounting mistakes in order to set your Property Investment business up for success. Neglecting or mismanaging your accounts can have serious consequences, so it's best not to take any risks. Whilst it's tempting to put accounting off until later, you need to make it a priority right from the very start. Good businesses and bad accounting just don't go together.