



T W P

Chartered Accountants
& Chartered Tax Advisers

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**Investing in property?.... speak
to the property tax professionals**



Increasing numbers of people are investing in property as part of their long term financial planning. At TWP we advise a large number of investors, both individual and corporate on strategies to minimise their tax liabilities, both short term and long term.

Property taxation is an increasingly complex area of UK taxation and it is vital that professional advice is taken from experienced professionals. The consultants in our specialist tax department at TWP have amassed over 50 years experience in advising both resident and non-resident landlords in respect of their UK property portfolios.

Our clients include serial property investors as well as developers. We advise our clients in many complex areas including:-

- Capital Gains Tax
- Offshore tax planning
- VAT
- Subcontractor Scheme requirements

We have produced this leaflet to highlight some frequently asked questions. These cover some common areas in which property investors currently require advice.

Do I have to pay UK tax on rental income?

Yes-both UK resident and non-resident landlords must account for UK tax on property income arising in the UK. Tax planning opportunities may exist for non-resident landlords and this is an area in which we frequently advise clients.

How is the taxable amount calculated?

The amount on which tax is paid is the net rental income after deducting eligible expenses. Typical expenses include:-

- Agents fees**
- Council tax, water rates, ground rents & service charges**
- Insurance**
- Repairs & Maintenance**
- Accountancy fees**
- Interest payments (see below)**

Can I claim a deduction for interest on a loan to purchase a property?

Yes- provided the loan has been taken out to purchase or improve a let property. Only the portion of the loan relating to the property purchase/improvement is eligible. Tax relief is claimed by way of a reduction to the taxable rental income.

What happens if my expenses are greater than my income?

The resulting loss can be either set against other property income received in the same year or carried forward against future rental income from any property.

If I sell a UK property will I have to pay UK tax on the profit?

UK property investors are normally liable to pay capital gains tax on investment property. Non-resident investors may qualify for exemption from capital gains tax. There are different rules for property developers who are liable to pay UK tax on development profits irrespective of their residence status. This is a very complex area and one where planning can have a substantial impact on the outcome.

I hold investment property and also sometimes develop and sell property, am I regarded as an investor or developer for tax purposes?

This is a critical issue for property owners as it determines which tax regime you fall under. The tax rules for developers are quite different to those applying to investors. Just because a property investor sells some property this does not necessarily make them a developer for tax purposes. Likewise a developer who retains property for rental is not necessarily regarded as an investor.

I am converting property are there any special tax rules which apply to me?

There are a whole range of VAT reliefs which may apply to conversion works. For example where a property is split into two flats it should be possible to arrange for the contractor to charge a lower rate of VAT (5% instead of 17.5%).

There are also special tax allowances applying to investors who create flats above shops.