

A close-up photograph of a person's hands holding a set of keys. The person is wearing a red long-sleeved shirt. The keys are silver and attached to a black keychain that has a white house-shaped icon on it. The background is blurred, showing what appears to be a window or a wall.

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101 Property Tax Tips

2019/20

Jennifer Adams

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By Jennifer Adams

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About This Guide

All property owners are likely to, at some time or another, find themselves subject to tax on that property. If the property is rented out income tax may be payable, if sold, possibly Capital Gains Tax may be due and Stamp Duty Land Tax (Land Buildings Transaction Tax on land situated in Scotland; Land Transaction Tax on land situated in Wales) may be charged on purchase, whilst on death Inheritance Tax may be levied. Developers will be subject to value added tax on the construction of buildings.

However, there is much that can be done to save or at least reduce the amount of tax payable and this guide contains 101 such tax savings tips.

The tips in this guide are intended to demonstrate areas where tax savings may be possible, the actual amount being dependent upon the precise circumstances of the situation and, as such, the examples are included as a guide only.

Due to the restrictive number of pages, this book can only show some areas where tax planning is possible. More 'Tax Tips' can be found in the monthly newsletters of Tax Insider, Property Tax Insider and, Business Tax Insider as well as on the Tax Insider website.

It must be stressed that professional advice should always be sought when undertaking any form of tax planning.

Chapter 1: Different Ways Of Owning Property

1. Private Landlord
2. Corporate Landlord
3. Management Company
4. Trader Or Investor?
5. Change In Type Of Ownership
6. Methods Of Ownership
7. Profit Allocation
8. Joint Spouse/Civil Partnership Ownership (1)
9. Joint Spouse/Civil Partnership Ownership (2)
10. Joint Non-Spouse/Civil Partnership Ownership

1) Private Landlord

The vast majority of UK properties are privately owned by individuals, many having been purchased as an investment rather than as a main residence.

The private investor landlord is taxed on the amount of letting income received less allowable expenses incurred on a fiscal year basis, as well as on any capital gain that may be made on the sale. Inheritance tax may be payable on the value of the property held at the date of death. Stamp duty land tax (Land and Buildings Transaction Tax in Scotland, Land Transaction Tax in Wales) may be payable on the purchase of the property.

Individuals who purchase property jointly, intending to rent for the long term, are taxed on their share of the annual rental profits made or gains made on the sale. Joint owners of property purchased with the intention to sell after restoration are likely to be in a 'trading partnership' with each being taxed as a self-employed 'property dealer'. For a 'trading' partnership to exist, there needs to be a degree of organisation with a view to making a profit (similar to that required for an ordinary commercial business). A partnership agreement is, therefore, recommended.

If the landlord has no other income, the annual personal allowance is deducted from any profit made on the letting income in full. If he or she has other income, the personal allowance may not be available and, as such, the profits made will be taxed at the landlord's marginal rate of tax.

A 'Property Allowance' is available, the claiming of which