

Quick Guide

- Property Tax



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Buying your first buy to let property can be an exciting experience, but there are many pitfalls that can catch the unwary buyer. If the property is let jointly, if it is furnished or unfurnished, or if it is a holiday let, there can be different tax implications. However, letting property doesn't have to feel like crossing a minefield. We have the expertise and experience to can show you the way.

We'll be with you for the whole process, from buying your first property to advising you on the possible Capital Gains Tax implications should you decide to sell. We are also experts in estate planning, so you can rest easy in the knowledge that your affairs will be in order should the worst happen.

OUR TOP TIPS FOR PROPERTY BOOKKEEPING

We've worked with lots of property owners over the years, and they've found these four top tips on property income bookkeeping and expenditure recording invaluable. We hope you find the list useful, but remember we're always on the other end of the phone if you need any help or advice.

1. Wherever possible pay by cheque or credit card.
2. Always get a receipt for your expenses.
3. Record all expenditure, no matter how small the amount.
4. Maximise the deposit from the tenant.

Following these top tips will not only help you to save tax, but will also minimise your risks of a Revenue investigation.



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Record Keeping for Landlords



If you let out residential property you will have to keep records of rent received and your expenses to work out the profit you'll pay tax on. You work out your taxable profit by taking your expenses and certain allowances away from your rental income.

What financial records do you need to keep?

You'll need to keep the same sorts of records whatever type of property letting business you have - residential or holiday letting, in the UK or overseas. They should include details of your:

- rental income
- allowable expenses
- 'capital' costs

To back up your records keep rent books, receipts, invoices and bank statements.

Rental income

You'll need to keep a note of:

- the rent you charge and receive
- any services charged separately - for example meals, laundry service, etc
- the dates you rent out each property



Allowable expenses

Your records should include details of all your costs of letting or managing your property. Allowable expenses reduce your taxable profit. They include all or part of these costs:

- buildings and contents insurance - only part if you just let part of the property
- property loan interest
- maintenance and repairs - not improvements
- utility bills, like gas, water, electricity
- rent, ground rent and service charges
- letting agent's, accountant's and legal fees
- Council Tax
- advertising
- other direct costs of letting the property, like phone calls, reasonable mileage costs to visit the property

Make sure that you can separate your business from your personal expenses.



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'Capital' costs

You can reduce your taxable profit by claiming different types of allowances for the cost of furniture and equipment you provide with the property. You'll need to log how much all of these things cost and when you bought them. To back up your records keep receipts, invoices and bank statements.

How long do you need to keep the records?

For tax purposes, you'll need to keep your records for six years after the tax year to which they apply - whether you complete a tax return or not.

Records relating to the purchase of a property should be retained. If you sell or dispose of a property that's not your main home and its value has increased since you acquired it, you may have to pay Capital Gains Tax (CGT). Some of your property costs can be deducted when working out your gain, so you'll need a record of:

- when you bought or acquired it
- when you sold or disposed of it
- the purchase and sale price
- any buying and selling costs, like Stamp Duty and legal fees
- improvement costs and dates



You may qualify for other reliefs or allowances depending on how long you've owned the property and if it was ever your main home.

If the property was used for a furnished holiday letting business there are special Capital Gains Tax reliefs.

Hopefully this guide will help you get started. Remember, if there's anything else we can help you with, we offer a free, no-obligation consultation for all property owners – whether you're investing in property for the first time, or you want to talk to us about your existing properties.



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