

Property Matters -

Plan and reflect or reflect and plan?



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The first few months of the year generally allow for a reflection on the previous year and then planning ahead for the current year, however planning ahead this year looks like it could be even more difficult than normal.

House prices are growing, albeit slowly, mortgage rates have increased, however not as far as expected and inflation continues to be a major issue for all day-to-day costs.

The forthcoming March budget will no doubt bring changes and challenges, so any planning must always consider what might happen, as well as what will happen and what you want to happen.

Should you consider
refinancing your
properties? If so,
then our wealth

management colleagues will be able to assist. Should you incorporate your property portfolio, to provide a form of longer-term protection for your family assets? If so, then appropriate tax planning would be something that you should consider.

Not forgetting that there are more and more regulations when renting property which need to be met, certainly there are going to be changes relating to the EPC ratings, so what should you be doing now to ensure that you comply?

Are you buying land to construct your dream home, or is this an investment, or something that you are to sell on quickly? If so, what are the VAT aspects that you need to consider?

Bear in mind that we are close to the financial year end, which of course means that there is a new compliance reporting season just around the corner. So, do you need to consider making an ATED (Annual Tax on Enveloped Dwellings) return?



Don't be an April Fool! EPC regulation changes for commercial property



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Owners of commercial properties that do not have an Energy Performance Certificate (EPC) rating of 'A' to 'E' will need to carry out sufficient works to urgently improve the rating before 1 April 2023, unless specifically exempt. Whilst not directly tax or accountancy related, this change is affecting a lot of landlord clients.

The current legal requirement for commercial lettings is to have an EPC rating of at least an 'E' if a landlord intends to enter into a new lease (or renew one). However, with effect from 1 April 2023, this requirement is being extended to all existing leases with a term greater than 6 months and less than 99 years.

Commercial landlords have the obligation to comply with the regulations, unless specifically exempt. Further advice and details regarding exemptions should be sought from your legal adviser. It is our understanding that landlords could face a fine of up to 20% of the rateable value of a property (capped at £150,000) for failure to comply.

Further restrictions are likely to be introduced in coming years, which will further increase the expectations to a 'C' or even a 'B' rating.

What do I need to do now?

Commercial landlords should check current EPC ratings as soon as possible. Your EPC will contain (or there may be a separate report outlining) the recommendations to improve the energy rating of each property. The areas considered may include expenditure on some of the following:

- Windows
- Roofs, walls and insulation
- Boilers and heating systems
- Renewable energy devices, such as solar panels
- Lighting

Expenditure on the above could attract tax relief, and your usual Whitings contact can give you guidance in this area.

I am a residential landlord rather than a commercial landlord; what does this mean for me?

The requirement for the EPC rating to be 'E' or higher has already been in place since 1 April 2020. We understand that, under current proposals, all newly rented residential properties will be required to have an EPC rating of 'C' or above from 2025, and in 2028 this is expected to be extended to any existing tenancies.



Land & Property Financing Costs



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It has been widely published, since its introduction in April 2017, that the way in which mortgage interest is relieved has changed dramatically over the past few years. However, what is not so commonly mentioned, is the deduction of “incidental costs of loan financing”.

Incidental costs associated with obtaining, providing security for and repaying the loan are subject to the same restriction and 20% tax reducer as loan interest.

These incidental costs of financing can include items such as loan provider arrangement fees, brokerage/introduction fees and legal & professional fees relating to the negotiation and administration requirements of the loan.

Where Commercial and Furnished Holiday Letting rental businesses are concerned, loan interest remains wholly deductible when calculating rental profits as opposed to being subject to the 20% tax reducer. This treatment should also be applied when considering the incidental costs associated with the loan, it is therefore important that the nature of the rental business is taken into account.

Where mortgage arrangement fees are considered, careful consideration must be given to the method which has been used by the provider to charge the fee. This is because some providers request payments upfront and others aggregate the fee together with the loan balance.

The world of loan financing costs can lead some to murky waters when considering what is, and isn't, allowable so, please do not hesitate to contact our property specialists for advice.

We will be more than happy to assist.

IHT planning with Property



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Most of us own property, if only our main residence. Some of us also have a holiday home and others choose property as an integral part of an investment portfolio or source of retirement funds.

The average house price in the UK stood at £295,000 as of December 2022. Many will be of much higher value and bring even modest estates within the Inheritance Tax (IHT) net.

We each have an IHT nil rate band of £325k but most estates will need to secure the additional residence

nil rate band (RNRB) in order to avoid the exchequer taking a slice of our wealth on death. The RNRB provides further relief of £175k against a residence, which falls way short of the average house price. Both reliefs are fixed until April 2028 so will be eroded by inflation. What else can we do to avoid payment of IHT on our property investments?

IHT planning with the family home is limited and complex. If we give a share away but continue in occupation, the gift is ineffective for IHT purposes in most circumstances. But there is some relief if we share occupation with the recipient of the gift and this can apply to holiday homes as well as main residences.

As to investment properties, we might want to make a gift but need to retain the rental income stream. Here, there is a valuable but little known relief whereby a share in such property can be gifted but the income stream retained.

Whitings can guide you on ways in which to preserve your property investment.

VAT Refunds for DIY House Builders



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Are you building a new home in which you will live?
Perhaps converting an existing building into a home?

You may be able to get the VAT back - you don't even need to be VAT registered!

When you purchase a brand new house from a property developer you will not be charged VAT. To aid DIY house builders, HMRC allow you to reclaim VAT on certain building costs. The scheme is intended to put the DIY house builder in a similar position to a person who buys a zero-rated house built by a property developer.

As with all HMRC schemes, there are conditions. Here are just a few of the main conditions:

- You or a relative must live in the home once it is built for residential or holiday purposes
- You must have planning permission and you must submit evidence of this with your claim
- You must supply HMRC with ALL of the original invoices to support your claim
- You can only claim once and you must claim within three months of the work being completed. Claim too early, you may miss out on recovering some of the VAT.

We can help you choose the right form and we can help you complete the form.

Here are some examples of what you can't claim for:

- Services - eg architect & surveyors fees
- Planning fees, consultancy & design fees
- Hire of tools and plant

Do talk to us before you start the project - it could save you money in the long term.



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