



**Minimise your tax bill and
maximise your returns**

Understanding and Paying Less Property Tax

FOR
DUMMIES®

Steve Sims

*Property tax consultant and
property developer*

A Reference for the Rest of Us®



UK Edition



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About the Author

Steve Sims is a landlord, property developer, tax consultant, and writer. He has 20 years experience in the property industry, and with his wife, Amanda, runs a property tax advisory company, Property Tax Plus (www.propertytaxplus.co.uk).

Before plunging into the property world, Steve was a journalist working for many years on regional evening newspapers, and as a press officer. Besides writing this book, he writes blogs and articles for several property and tax websites.

Steve lives with Amanda in Harlech, North Wales, and has four grown up sons, Alan, Carl, Peter and Tim. His interests include West Ham United, beer, and music (though not necessarily in that order!).

Dedication

This book is dedicated to Amanda. She was the angel whispering persistent encouragement in one ear, while the devil sat on my other shoulder shouting temptations at me to idle my days away. Without her support and help with research, I am sure this book would not have been written.

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Introduction

In the property business, as in life in general, only two things are certain: Death and taxes. Like anyone else, landlords and property developers can't do much about avoiding the Grim Reaper, but tax is a different matter.

Make no mistake about it, tax is compulsory, and rightly so. The economy, and society in general, wouldn't work without it. Unlike only a few generations ago, nowadays practically everyone has to have dealings with the taxman, otherwise known as Her Majesty's Revenue & Customs (HMRC). The fact that everyone has to pay tax, however, doesn't mean that anyone should pay more than they legally have to, and that includes landlords and property developers.

The business of buying and making money from property has become high profile in modern popular culture. No end of television programmes focus on the dramas, triumphs, and pitfalls of buying and 'doing up' houses for profit, while the number of landlords looking to secure long-term investment income from rented property has risen steadily in the last decade or so. That doesn't mean it's an easy option, however, and the tax regime doesn't make it any easier: Good job this book is here to help.

About This Book

Understanding & Paying Less Property Tax For Dummies does what it says on the tin. First, it will help you to understand the fearsomely complicated rules and regulations by which HMRC seek to recover their due. Then, it helps you to realise that perfectly legitimate means exist to pay no more tax than you legally have to.

In summary, this book covers the following:

- ✓ Deciding what sort of property business, or businesses, you're going to run.
- ✓ Understanding the various taxes you can expect to encounter.
- ✓ Coming to terms with your tax obligations.
- ✓ Reducing your property tax burden to the legally required minimum.

You don't need to read this book cover-to-cover. Dip in as you need to, picking out the nuggets of info you require for any particular tax circumstance in which you find yourself.

Conventions Used in This Book

To help you navigate through this book, I set up a few conventions:

- ✓ *Italics* are used for emphasis and to highlight new words or defined terms.
- ✓ **Bold faced** text indicates the key concept in a list.
- ✓ Monofont is used for website and e-mail addresses.

What You're Not to Read

This book is largely concerned with the nitty-gritty of property tax issues, but every now and then we use sidebars – grey-tinted boxes of text – to give some historical background or a bit of supplementary info. Feel free to skip over these bits if you want to.

Foolish Assumptions

While writing this book I made some assumptions about you:

- ✓ You either are, or want to be, a landlord letting property for rent, or a developer buying property to sell on at a profit.
- ✓ You aren't a tax adviser or accountancy professional. If you are, you've got enough books on tax, and more profitable things to spend your time on than reading a basic guide to the property tax system.

✔ You can fill in your annual self-assessment tax return on your own. I don't go through the return form step-by-step because most of it doesn't relate to property, and the guidance that comes with it is comprehensive and straightforward. Instead, I offer what you need to fill in the property sections of the form easily and accurately.

✔ You don't get your kicks reading about property tax. You want to know exactly what you need to make sure that you pay the tax you actually owe, and claim what you are entitled to: No more, no less.

✔ You want to know both the pitfalls and the high spots when it comes to sorting out your property portfolio to minimise property tax.

How This Book Is Organised

This book has six major parts. Each part is divided into chapters relating to the theme, and each chapter is subdivided into individual sections relating to the chapter topic. Additionally, take a look at the table of contents at the start of this book and the detailed index at the end to help you pinpoint what you particularly need to know about.

Here's an outline of what you can expect to find out about in each part.

Part I: Property Tax Facts

This part takes you through the ground rules of your relationship with the tax system - what you pay, when you pay it, and what events triggers tax payments. I also give you a rundown on a few people who can help.

Part II: Balancing the Books

In this part, I look at the fundamentals of accurate, tidy record keeping, the secret of success in running a property business. I also introduce you to the importance of keeping tabs on all your property income, and – just as importantly – your expenses.

Part III: Property Taxes and How to Slash Them

This part goes into the important detail on which taxes you need to pay, and exactly how much you need to hand over for each. The chapters in this part give you the meat and veg of your tax-saving strategy.

Part IV: Professional Property Investing

This part covers the serious business of, well, business. Here's where to come if you want the skinny on developing property for sale, running holiday lets, and avoiding all the tax traps that go with them.

Part V: Keeping the Right Company

This is where you need to come if you're thinking about running your property business through a company. I take you through who should be looking to incorporate, and who shouldn't. I also go into the detail of incorporation, the evils of Corporation Tax, and the best ways to deal with both in a stress-free manner.