

A comprehensive service offering

At Paish Tooth we deliver an extensive range of tax and accounting services. Alongside our traditional compliance offerings, we provide expertise in all of the following areas:

- **Succession planning**
- **Wealth Management**
- **Financial Management**
- **Profit improvement**
- **Personal tax planning**
- **Business tax planning**
- **Xero Cloud accounting**
- **Auto-enrolment**

Please just ask if you wish to discuss any of these additional service options.

A friendly team of experts

Paish Tooth is a relaxed and friendly firm with a team of 15 staff. We've been offering expert accountancy and tax advice for over 30 years. Paish Tooth is regulated by the Association of Chartered Certified Accountants (ACCA), and we also practise as Chartered Tax Advisors, authorised by the Chartered Institute of Taxation. Our drive has always been to gain an understanding of every client we work with, so that we can offer the appropriate tailored support and practical advice. We're always keen to build up strong, effective partnerships with our clients and help them achieve their full financial potential.

Get in touch!

Paish Tooth is conveniently based in Cheltenham town centre, a short stroll from the High Street, plus we have client car parking available. Please give us a call if you would like to arrange a meeting with one of the team - we'd love to hear from you!

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Or why not join us on social media:

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Download our free mobile app

The Paish Tooth app will keep you on top of the latest news and tax changes, and is packed with useful tools including calculators, tax tables, financial dates, a receipt manager and mileage tracker.



 **paishtooth**
ACCOUNTANTS & TAX ADVISORS

Property Income



Property income

There are three main types of residential rental income which have differing rules and varying tax treatments. These are:

- 1 Furnished lets & unfurnished lets
- 2 Rent a room exemption
- 3 Furnished holiday lets

Furnished & unfurnished lets

Accounts for rental income from furnished and unfurnished letting of residential property are made up to the 5 April every year and are usually prepared on the accruals basis. These individual accounts are then amalgamated into one property account for reporting on the self-assessment tax return. Furnished and unfurnished lets can deduct allowable expenses such as rates, heating, repairs and maintenance, letting agent fees, building insurance, some legal fees, advertising, interest on a mortgage, cleaning and gardening.

Capital expenditure is not an allowable deduction but up to the 5 April 2016 the following applies:

- Furnished property lets can deduct an additional 10% wear & tear allowance to cover moveable furniture or furnishings, televisions, fridges & freezers, carpet, etc.
- Unfurnished lets cannot claim back any expenditure relating to the purchase or replacement of white goods, carpets, etc.

Losses from individual properties can be offset against the profits from others. Any unused losses can only be carried forward

to be used against future rental profits, as property losses cannot be set against other taxable income.

Proposed changes announced in 2015

From 6 April 2016 the 10% wear & tear allowance will stop and it is proposed that both Furnished and Unfurnished lets will be able to claim the replacement of moveable furniture or furnishings on a Renewals basis. The exact content of this new legislation is still under consultation but will be available in advance of the Finance Bill 2016.

A further change that will take place from 6 April 2017 is the phasing in of a restriction on interest tax relief for higher rate tax payers. This will mean that by 2020 only basic rate tax relief will be available to reduce rental profits for all tax payers.

Rent a room exemption

There is a special exemption for the letting of a furnished room or rooms in your main residence.

From the 6 April 2016, if the gross rental income is £7,500 (£4,250 pre 6 April 2016) or less per annum, then the rent is exempt from tax. Please beware that any expenses incurred are ignored when arriving at this figure.

If the gross rent is more than £7,500 then you will be taxed under the normal rental rules (beneficial if you have made a loss) or alternatively you can elect to be taxed on the gross rental income less £7,500 but ignoring the expenses incurred.

Furnished Holidays Lets (FHL)

Income from FHL is assessed as property income, but as long as certain qualifying conditions are met, the profits are treated as trading income for certain taxes. To qualify the property must:

- be let on a commercial basis; and
- be furnished; and
- be available as holiday accommodation for at least 210 days; and
- actually be let for at least 105 of these days; and
- not be let for “longer term occupation (more than 31 days)” for more than 155 days in a year. This arrangement allows holiday letting in the summer and longer residential lets in the off season.

Other points to note:

- Capital allowances can be claimed on white goods, furniture, carpets etc. as well as plant and machinery used outside the property.
- VAT, if registered, would apply at the standard rate on the holiday letting but not the off season letting.
- Class 4 NIC is not payable but the FHL would not automatically qualify for IHT Business Property Relief.
- Losses can only be carried forward and offset against future FHL profits.

How can Paish Tooth help?

We can advise you on all aspects of residential and commercial property. Whether it be the income tax due on annual rents or the capital gains tax implications on sale of the property.