Grunberg & Co.
Chartered Accountants

Property Bulletin

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Housing sales grow to record high on the back of SDLT holiday

The impact of the Chancellor's Stamp Duty Land Tax holiday is already being felt, according to Rightmove's latest House Price Index

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Welcome to the latest Grunberg & Co Property Bulletin, our publication to keep you up-to-date with news from the property sector and the accounting and financial services that our firm can offer you and your clients.

If you would like to find out more about Grunberg & Co's tax and accountancy services for you and your clients, please get in touch with us by calling **+44 (0) 20 8458 0083** or emailing **alexk@grunberg.co.uk**

Time to incorporate your property portfolio?

During the Summer Economic Update, the Chancellor announced a temporary increase in the Stamp Duty Land Tax (SDT) threshold, effectively eliminating the tax paid altogether on a large proportion of property purchases under £500,000.

Before the rules change, the threshold at which a person purchasing property became liable for SDLT Was £125,000. Between 8 July 2020 and 31 March 2021 this threshold will instead be £500,000 to help revitalise the property market.

Although properties under £500,000 avoid the normal SDLT rates, they still remain liable for the additional three per cent additional home surcharge, which applies to property purchasers who already own residential property.

However, this still represents a significant saving for most property investors. In fact, on a £500,000 property purchase, it may help an investor, be they an individual or business, to reduce their tax bill by up to £15,000.

Importantly though, the rules also apply to properties that are transferred into a limited company – a process typically referred to as incorporation.

Properties that are incorporated into a limited company still benefit from mortgage interest relief, unlike unincorporated portfolios, which can create a substantial saving over the life of a buy-to-let mortgage.

What's more, if you are a higher (40 per cent) or additional (45 per cent) rate taxpayer operating a property portfolio through a limited company means that your profits will be taxed via Corporation Tax at a flat rate of 19 per cent. Of course, withdrawing funds from the businesses as a salary or dividend will attract tax as well.

Despite these benefits, up until now, the savings made from incorporating a property portfolio have been minimal as the initial outlay in both Capital Gains Tax and SDLT meant the transfer would often incur significant tax costs.

The current SDLT holiday, therefore, provides an excellent opportunity for those considering incorporation. If you would like assistance with incorporation or advice on the current SDLT holiday, please contact us.

Housing sales grow to record high on the back of SDLT holiday

The impact of the Chancellor's Stamp Duty Land Tax holiday is already being felt, according to Rightmove's latest House Price Index.

The online estate and letting agencies latest report shows that the number of agreed sales in August is up by 38 per cent on the previous year, and 20 per cent higher than the former overall monthly record set in March 2017.

The latest data indicates that sellers have put more property on the market and agreed more sales than in any month for over ten years. It is thought that the total value of all sales in August may rise above £37 billion.

As a result of this surge in sales, ten out of twelve regions in the UK recorded in the study saw monthly house price increases, with a record high in new seller asking prices in seven of those regions.

Unlike the rest of the UK, London saw a small seasonal fall in house prices, but an out-of-city exodus brought on by remote working has helped push prices to record levels in Devon and Cornwall.

Miles Shipside, Rightmove's Director and Housing Market Analyst, said: "There have been many changes as a result of the unprecedented pandemic, and these include a rewriting of the previously predictable seasonal rulebook for housing market activity and prices.

"Home movers are both marketing and buying more property than we have recorded in any previous month for over ten years, helping push prices to their highest ever level in seven regions.

"Rather than just a release of existing pent-up demand due to the suspension of the housing market during lockdown, there's an added layer of additional demand due to people's changing housing priorities after the experience of lockdown. This is also keeping up the momentum of the unexpected mini-boom, which is now going longer and faster.

"We associate this time of year with diving into the pool rather than the property market, and of sand and sun rather than bricks and mortar, but buyers have had a record £37 billion monthly spending spree."

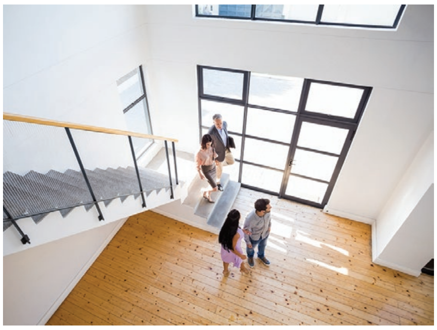
A separate study by property group Andrews also shows that instructions and viewings were up substantially in July as a result of the cut to SDLT.

There were almost 6,000 viewings in July compared to just 20 in April, with a third of those viewings carried out virtually. Offers made and accepted by sellers were up 12 per cent as well.

If you are looking to take advantage of the SDLT holiday, either by selling parts of a portfolio or using the reduced rate of tax to buy new properties, please speak to our experienced team.

Property market activity well-above-average

A clever 'sentiment tracker' created by PropTech supplier Yomdel has shown that current activity in the rental market is well-above average, despite the challenges the sector faces.



The company publishes a weekly tracker index based on average rental market activity and pricing in the 62-week period before the late March 2020 lockdown began. It does this by plotting activity based on live chat, enquiries and business leads.

According to their latest index, landlord activity, including chats, enquiries and leads, is running some 39 per cent higher than the long-term pre-COVID average.

Meanwhile, tenant activity is even stronger scoring 55 per cent above the long-term average as tenants seek support with their tenancy.

Andy Soloman, Yomdel's founder, said: "People are telling us they want to get cracking on stalled moving plans, while at the other end people are urgently trying to bring forward plans due to uncertainty for later in the year and fears of a second wave and another Coronavirus lockdown."

It is encouraging to see that market activity remains strong despite the difficulties the UK faces. To find out how we can support you with your property issues, please contact us.

Property sector – Key steps to managing cash flow

Landlords are facing an extremely uncertain period due to the economic difficulties created by the Coronavirus pandemic, with many experiencing a reduction in income and difficulties with cash flow.

To help individuals and businesses within the property sector that are facing cash flow issues, we have highlighted some methods that can help with their recovery.

VAT deferral

VAT-registered businesses were able to defer their VAT payments due in the period from 20 March 2020 to 30 June 2020. However, VAT registered businesses must begin putting money aside now so that any deferred VAT payments are payable in full by no later than 31 March 2021. Leaving this until the tax is due could cause cash flow issues next year and lead to penalties.

If a landlord is concerned about repaying VAT, they can enter into Time to Pay payment agreements with HM Revenue & Customs (HMRC). This includes VAT that has been deferred.

Cash accounting

It may be beneficial to adopt the cash accounting basis if the taxable turnover of a property rental business is under £1.35 million.

This approach allows VAT to be accounted for when payment is received. In light of the current circumstances, this may be beneficial where tenants are delaying or unable to make rental payments.

Debt relief

If a debt remains outstanding for six months, landlords can claim automatic 'bad debt relief', reducing the output VAT due on their sales.

Extended accounting periods and losses

If a property portfolio is held within a company it may be beneficial to extend the normal accounting period to include loss-making periods following the Coronavirus outbreak.

This would allow the business to access tax relief from any losses sooner and trading losses can be carried back to earlier periods, freeing up cash.

Businesses should, therefore, keep track of any trading losses arising during the current situation to enable them to take advantage of loss relief sooner.

Quarterly Instalment Payments (QIPs)

Businesses that are within the QIP rules may seek repayment from HMRC of QIPs where the company believes its circumstances have changed since payment was made, which could have led to its Corporation Tax liability being over-estimated.

HMRC has already confirmed that companies may claim a repayment of QIPs if evidence is

provided that losses will be available to carry back and offset against income.

Companies may also fall outside of the QIP regime if their taxable profits are reduced for the accounting period and they may wish to leave if it leaves them at a disadvantage.

Mortgage holiday

Many banks and lenders are still offering mortgage payment holidays to buy-to-let landlords that individuals may wish to take advantage of if they are experiencing cash flow issues.

If you require assistance with cash flow or have a query about VAT or tax relating to your property portfolio, please contact us.

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