

## Article topic: Tax Planning

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### Cashing in your buy-to-let profits



Buy-to-let investors can save significant amounts of tax with the right planning.

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Falling house prices and rising rental yields are once again creating big opportunities for buy-to-let investors. However, in making an overall profit, up to 50% of it could be taken by HM Revenue and Customs in tax.

A little forward thinking could help protect you against paying unnecessary tax, which is essential if you want to be certain of keeping the profits you make. For example, with careful planning you could reorganise your borrowings to ensure that you obtain the maximum tax relief available.

#### Our top three tips

As a buy-to-let investor, you need to consider three different types of tax:

- 1. Income tax** - after deducting any relevant allowable expenses, you have to pay income tax on any rental profits you make. An annual self-assessment return is compulsory where the net profit exceeds £2,500 per annum. It is important that you know about all of the possible allowable expenses you can claim and that these are maximised. There are many more open to investors than you may expect!
- 2. Capital Gains Tax (CGT)** - when you sell a property, you'll have to pay Capital Gains Tax on any growth in value. Under current legislation this could mean a tax bill of 18% or 28% for higher rate taxpayers. Some limited tax reliefs are available and it is vital to structure your initial ownership of the property in the most efficient way. It is also worth an examination to see whether your property could qualify for any element of Principal Private Residence relief.
- 3. Inheritance Tax** - in general, on your death Inheritance Tax at 40% will be due on all your assets (where their total value exceeds £325,000). Most people intend for their spouse to inherit the buy-to-let property on death to avoid this, which can in certain circumstances compound the Inheritance Tax problem. To ensure that this investment is protected for your loved ones in the future, you need to consider your Wills and existing arrangements to ensure that you have a tax-efficient plan for the future.

#### Helping you make the right plans

At Target we work closely with our clients to understand what you would like to achieve and the practical steps you need to take to get there. Our advice is always tailored to your own individual finances, with the aim of helping you to build your personal wealth in the most tax efficient way. We provide proactive and innovative tax advice in many areas, including:

- General tax mitigation
- Estate planning
- Capital gains planning
- Trusts

Our advisers could save you significant amounts of potential tax on your property transactions. Above all, you'll receive the most up to date information and the help you need to build effective tax planning strategies for the future.

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