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Tax voice Welcomes



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We live in interesting times

The gradual restriction of tax relief for finance costs paid by buy-to-let landlords on loans to purchase their rentable properties began its four year course on 1 April 2017. The 3% SDLT surcharge on buying such properties is now well established and becoming part of history as it was, almost, replicated in Scotland (as regards LBTT) and is intended to apply in a modified form in Wales from April 2018 in the form of LTT.

For non-domiciled landlords, the exemption from inheritance tax for United Kingdom residential properties owned through corporate vehicles was expected to end on 1 April 2017, bringing those properties within the inheritance tax net on the death of major shareholders in the relevant company or on a gift of shares in the company.

In addition to the above, most landlords (other than the very smallest in rental income) were to be included in the “Making Tax Digital” (or MTD) regime for traders, and this was to involve electronic reporting of rental income and allowable

expenditure, on a quarterly basis. The draft legislation enacting the MTD regime was included in the Finance Bill published last March but then dropped.

MTD is not without controversy, including the cost to landlords of operating it, but seemed set to proceed nonetheless until…the 8th June general election was announced. In order to push a truncated Finance Bill through to Royal Assent in the few days before Parliament ended: as noted, many of the more controversial provisions were dropped from the Bill, including MTD.

Everyone assumed that the dropped provisions would simply be reintroduced as originally drafted in a second Finance Bill immediately after the election but life is not that simple. The election produced a "hung" parliament, the Conservatives have agreed some form of voting arrangement with the DUP and it is now clear that not absolutely everything will be included in a second Finance Bill as it was originally, and that Bill will not be introduced to Parliament until early September 2017.

In particular, it appears the Government has listened to the protests that the MTD timetable is moving too fast and not allowing enough time for software houses to start developing the software on which MTD will depend.

According to an HMRC announcement on Thursday 13th July:

- Only businesses with a turnover above the VAT threshold (currently £85,000) will need to keep digital records and only for VAT purposes;
- They will only need to do so from April 2019; and
- Businesses will not be asked to keep digital records, or to update HMRC quarterly, for other taxes until at least April 2020.

This is a step in the right direction in ensuring MTD is introduced at a pace which landlords can cope with and allow appropriate software to be available to them.

As I said, we live in interesting times.

In a packed edition we have an article by Leigh Sayliss on acquisitions of freeholds and allied lease extensions (a salutary reminder not to put off what should be done today…), an article by David Westgate on landlords' contributions to tenants' costs in relation to leases (a minefield if there ever was one) and finally, an interesting article from Michael Hunter and Charlotte Fallon on VAT TOGCs. Also included is an update by Lakshmi Narain on the Welsh Land Transaction Tax.

Enjoy!