
LOUCAS

ADDING MORE TO YOUR BUSINESS

Tax Planning & Wealth Management Seminar

15 November 2012

Loucas – *Who we are*

- Founded in 1974 by our Chairman Antony Louca
- We have over thirty staff
- We now operate from five offices plus an overseas branch
 - Maidstone – Head Office
 - Welling
 - Tonbridge
 - London
 - Brighton
 - Cyprus

Loucas – *Our clients*

- We have approximately 2,000 clients across our offices
 - Private tax clients
 - Owner managed businesses
 - Not for profit organisations
 - Larger International organisations
- We have clients across a broad range of sectors
- Sector focus
 - Property & construction
 - Digital, new media & creative
 - Food , beverage & hospitality
 - Care homes

Loucas- *What we do*

- We offer a full range of both compliance and advisory services

Accountancy

Audit and assurance

Tax planning and mitigation

Corporate finance

Payroll

VAT advice

CIS

Tax investigations

Management reporting

Retirement planning

Strategic business planning

Acquisitions and disposals

Company secretarial

Due diligence

- Strategic partnerships with other specialists to enable us to provide complete solutions for our clients

Loucas- *What we believe*

“An accountant should be more than just someone that tells you how much tax you have to pay at the end of the year”

Whilst we understand that preparing end of year accounts and completing tax returns are a necessity, it is what we can do beyond that which makes the difference to our clients.

When working with our clients we are all firmly focused on three main areas:

Mitigating our clients' tax liabilities

Increasing business profits

Safeguarding their wealth for the future

Speakers for the night

Stuart Shaw – Tax planning for Buy-to-Lets
Head of Tax at Loucas

Some ideas on how to save tax on buy-to-let income, capital gains tax on the sale of buy-to-let properties and IHT on buy-to-lets

Peter Christopherson – Raising finance for Buy-to-Lets
Tyler Mortgage Management Limited

An update on the mortgage market for buy-to-lets

Darien Williams – Life Assurance and investments
St. James's Place

An update on how to reduce life assurance costs

Gareth Hughes – Insurance for Buy-to-Lets
Stackhouse Poland Limited – Specialists in insurance for Landlords

Advice on insurance for the buy-to-let market

Tax Planning for Buy-to-lets

15 November 2012

Contents

- Income tax relief for loans.
- Capital gains tax mitigation.
- Inheritance tax mitigation.

Tax Relief on Allowable Loans

- Arrangement fees.
- Interest.
- Cannot claim capital repayment

Loan not secured on a buy-to-let property

- Must be used for qualifying purposes.
- Purchasing buy to let property.
- Financing other expenditure on the property.

Loan Secured on Buy to Let Property

- A loan that is used for an allowable purpose.
- Any loan will be an allowable loan up to the value of property when it entered the rental business.
- E.g. Purchased rental property for 100K.
5 years later property worth £150K.
A loan secured on the property is an allowable loan up to £100K regardless of how it is used.

Capital Gains Tax Mitigation

CGT Rates and Exemptions

- 18% or 28%.
- Annual exemption £10,600.

Example Calculation

Proceeds	£ 250,000
Cost	£ (100,000)
Chargeable Gain	£ 150,000
Less Annual Exemption	£ (21,200)
Taxable Gain	£ 128,800
TAXED AT 28%	£ 36,064

Principal Private Residence (PPR) Relief

- Relieves from CGT a property used as your 'main' residence.
- If you have two or more Residences an election can be made.
- What is a residence?
- Not obliged to nominate which is factually his or her main residence.

PPR Election

- Must be made within two years of a combination of residences becoming available.
- A married couple or civil partners can only have one PPR.
- Once election has been made it can be altered at any time.
- If no election made then question of fact.

Evidencing Residence

- Must be capable of being used as a residence.
- Change mailing address with banks etc.
- HMRC have checked utility usage and also questioned neighbours.

Benefits

- Proportion of gain falls out of charge to CGT
- Property owned for 10 years and PPR for 5 years – only half of gain will be taxable.
- If property is PPR at anytime then the last three years is treated as PPR.

Example Calculation 2

Proceeds	£ 250,000	£ 250,000
Cost	£ (100,000)	£ (100,000)
Chargeable Gain	£ 150,000	£ 150,000
Less PPR	£	£ (45,000)
Less Annual Exemption	£ (21,200)	£ (21,200)
Taxable Gain	£ 128,800	£ 83,800
TAXED AT 28%	£ 36,064	£ 23,464

Lettings Exemption

- Available to any PPR that has been let.
- Lower of:-
 - £40,000
 - PPR relief
 - gain arising in let period.
- Spouse will also benefit from their own exemption.

Example Calculation 3

Proceeds	£ 250,000	£ 250,000
Cost	£ (100,000)	£ (100,000)
Chargeable Gain	£ 150,000	£ 150,000
Less PPR	£	£ (45,000)
Lettings Exemption	£	£ (45,000)
Less Annual Exemption	£ (21,200)	£ (21,200)
Taxable Gain	£ 128,800	£ 38,800
TAXED AT 28%	£ 36,064	£ 10,864

Inheritance Tax (IHT) Mitigation

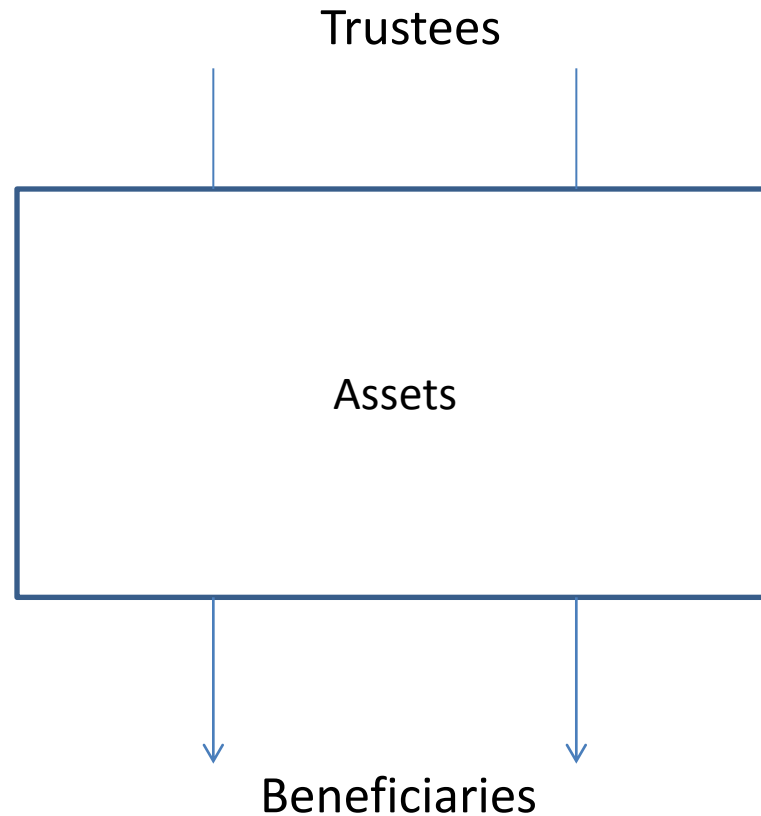
IHT

- Each Individual has nil rate band of £325,000.
- A couple potentially has no tax to pay on the first £650,000.
- Anything above this is taxed at 40%.
- IHT on £250K investment property would be £100K.

IHT

- Gift assets.
- Seven year rule.
- But you still require the income.

Hybrid Investment Trust



IHT Mitigation

- Transfer asset to trust
- Should be below £325,000/£650,000
- Triggers capital gain
- Retain right to income
- Survive the transfer seven years and outside of estate for IHT purposes
- Asset protection

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ST. JAMES'S PLACE
WEALTH MANAGEMENT



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WEALTH MANAGEMENT

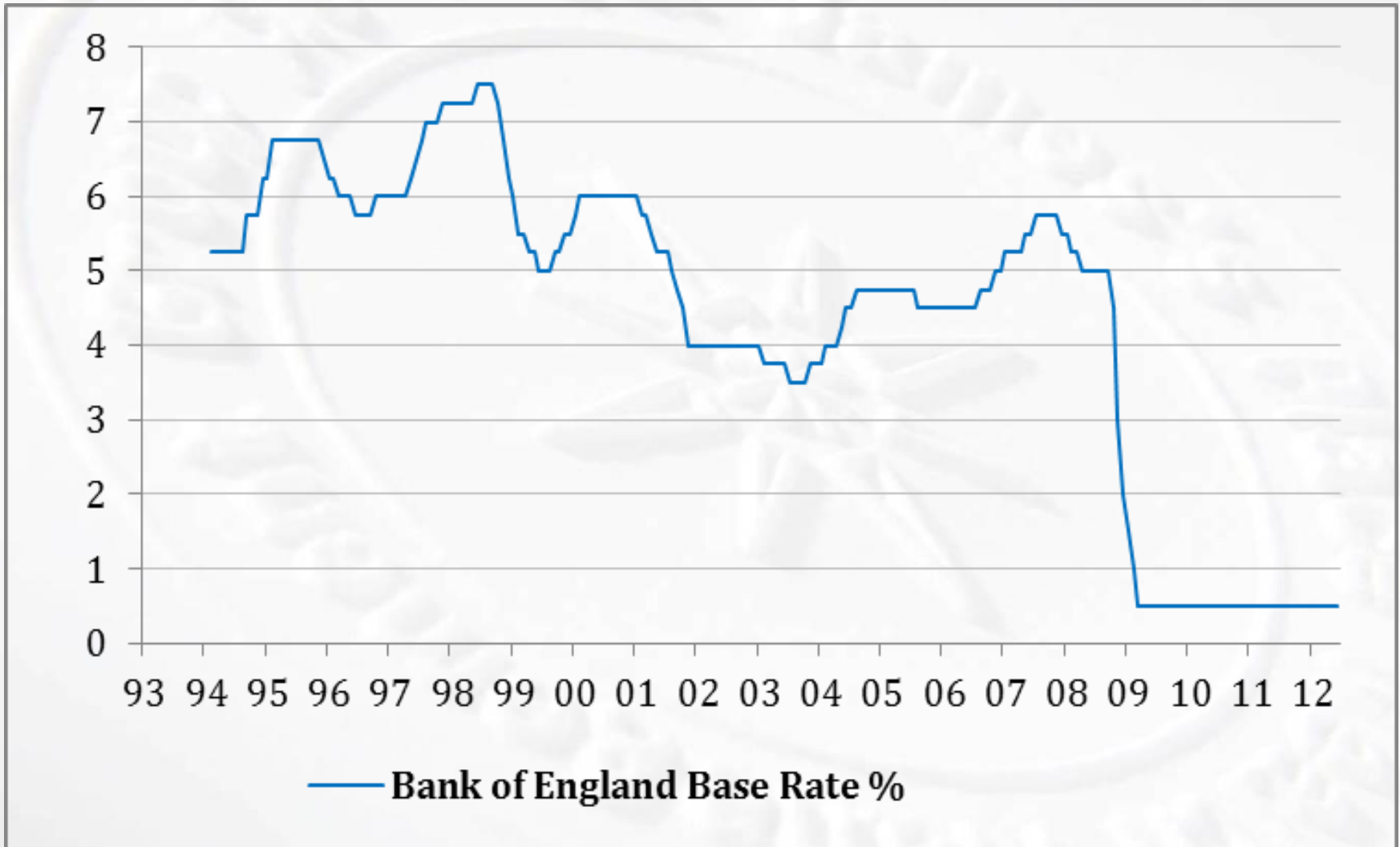
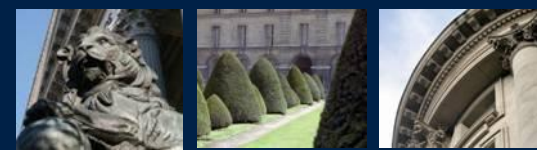
Darien Williams

Founder Member & Senior Partner



Current Economic Climate

- High levels of taxation
- Low interest rates
- £1.5trillion on deposit
- Subdued economic growth
- 90+% in work
- High level of uncertainty (Eurozone, economy, etc)







What rate of interest is needed on deposit to achieve a real return after tax and inflation?

	Inflation rate				
	2%	3%	4%	5%	6%
Basic Rate Taxpayer	2.5%	3.8%	5.0%	6.3%	7.5%
Higher Rate Taxpayer	3.3%	5.0%	6.7%	8.3%	10.0%
Additional Rate Taxpayer	4.0%	6.0%	8.0%	10.0%	12.0%



Is now a good time to invest?



Warren Buffett

"If everyone likes a sale, why shouldn't we like it when our stocks go on sale? Buying great companies at reasonable prices is a recipe for long term success"



12/11/1992 - 12/11/2012 Data from FE 2012



Power of dividend income








	SJP UK High Income Unit Trust	SJP Equity Income Unit Trust	IMA UK Equity Income
Year 1	£3,213	£3,303	£2,796
Year 10	£5,791	£5,522	£2,885
Total Income over 10 years	£45,348	£46,684	£30,403
Capital Value after 10 years	£148,439	£127,328	£113,634
Capital Value after 10 years with income reinvested	£220,104	£197,074	£156,595

£100,000 invested on 31 December 2001



Why diversifying is so important

Rank	December-10 December-11	December-09 December-10	December-08 December-09	December-07 December-08	December-06 December-07
1st	UK Gilts 16%	Far East Equities 22%	Far East Equities 25%	UK Gilts 13%	Far East Equities 15%
2nd	UK Property 8%	UK Property 14%	European Equities 24%	Deposit A/c 3%	European Equities 14%
3rd	US Equities 6%	US Equities 16%	UK Equities 30%	US Equities -17%	UK Equities 5%
4th	UK Equities 3%	UK Equities 15%	US Equities 19%	UK Property -23%	US Equities 4%
5th	Deposit A/c 1%	European Equities 8%	Deposit A/c 1%	Far East Equities -20%	Deposit A/c 4%
6th	European Equities -11%	UK Gilts 7%	UK Gilts -1%	UK Equities -30%	UK Gilts 5%
7th	Far East Equities -14%	Deposit A/c 1%	UK Property 2%	European Equities -27%	UK Property -5%

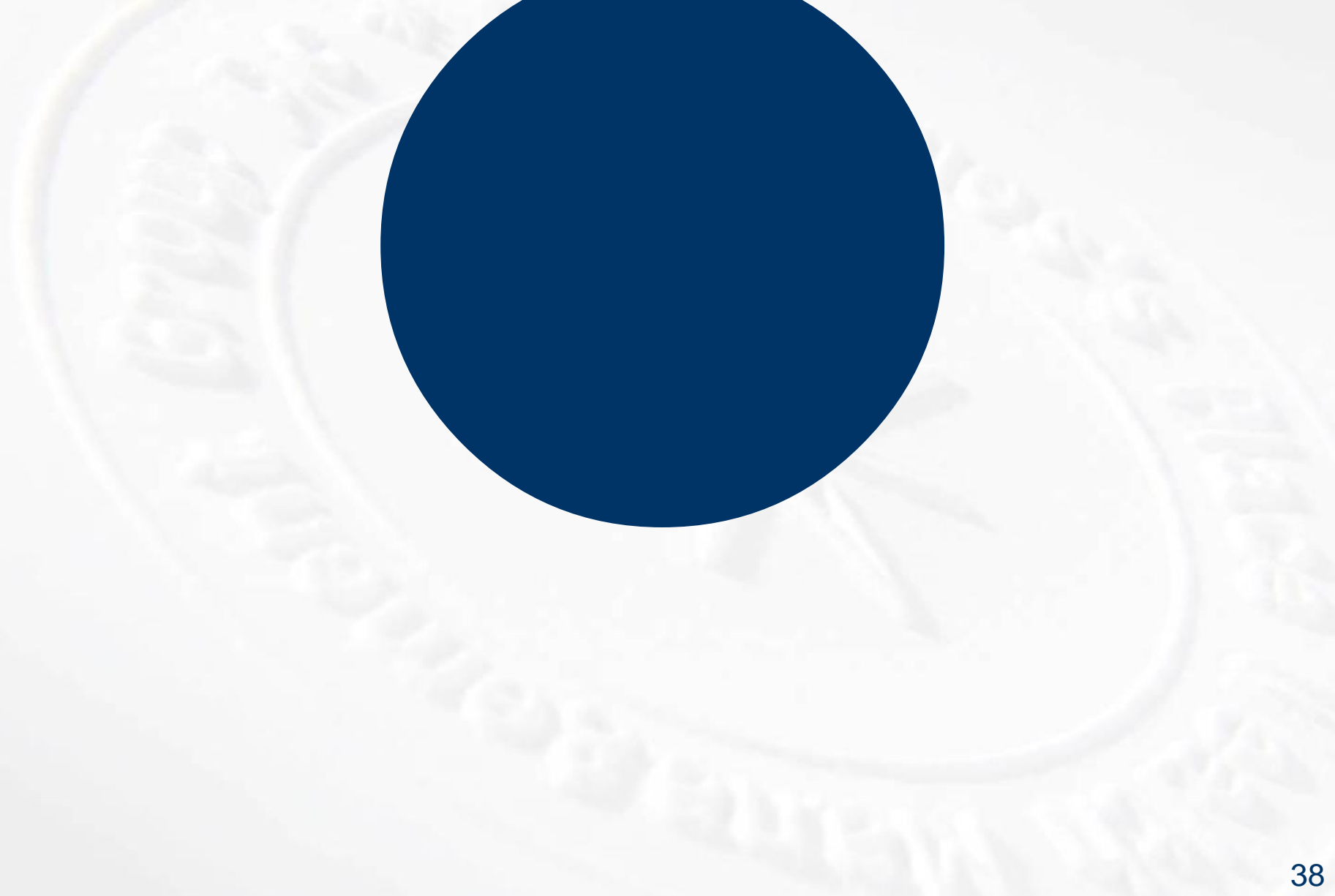
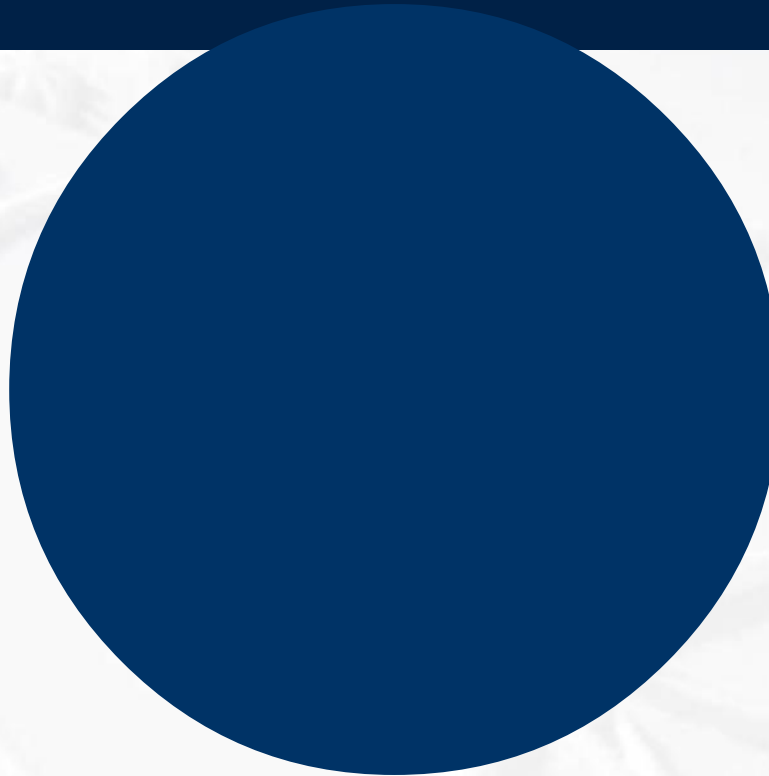
 FTSE World - North America	 FTSE World - Europe	 FTSE All Stocks	 IPD Commercial Property
 FTSE World - Asia Pacific	 UK Savings Account £25,000 +	 FTSE All Share	

Source: Financial Express, Analytics. Data as at 30 December 2011. Please be aware past performance is not indicative of future performance.



Top Investment Tips

- Diversify your investments
 - By asset class
 - By geography
 - By fund manager style
- Invest for the medium to longer term
- Maximise 'sources of return'
 - 'Income for Growth' approach
- Review your strategy
- Seek out professional advice



Specialist General Insurance



Stackhouse Poland

Private ▪ Corporate ▪ Charity



Stackhouse Poland

Agenda

- **Background**
- **What we do**
- **Commercial/Investment property**
- **Areas of cover**
- **Common mistakes**
- **Underwriting**
- **Service**
- **Questions**

Stackhouse Poland

- Established 1974
- MBI 2001
- Revenue £10 million
- 110 Staff – 5 Offices
- 50% Private Client
- 50% Commercial/Investment Property
- Top 20 UK Broker
- Established/Award Winning Broker
- SJP, Coutts, Boodles, Knight Frank, Handlesbanken



Gareth Hughes

- **Economics degree**
- **CII Qualified**
- **13 years experience**
- **5 and half years with Stackhouse Poland**
- **SJP Relationship Manager**
- **1 point of contact**



Target Business

- **HNW Private Client**
- **Commercial Property Owners**
- **Residential Buy to Let Portfolios**
- **Professional Risks - PI**
- **SME Businesses – Typically UK Industrial and Commercial Concerns up to £150m turnover**
- **Charities and other “Not for Profit” organisations**



Commercial/Investment Property

- 1 x BTL
- BTL Portfolios
- Link to Home Policy (Tax)
- Shops
- Office Blocks
- Blocks of Flats
- Warehouses
- Industrial Parks
- SIPPs
- Nothing too big or too small



Commercial/Investment Property

- **DSS**
- **Students**
- **Housing Association**
- **Asylum Seekers**
- **Unoccupied**
- **Renovations**
- **Flood/Subsidence Areas and Properties**
- **Non-Standard Properties**
- **Poor Claims History**

Areas Of Cover

- Buildings
- Contents
- Property Owners' Liability
- Employers' Liability
- Loss of Rent (time period)
- Alternative Accommodation
- Legal Expenses
- Terrorism
- AD, Theft, Malicious Damage by Tenants
- Rent Guarantee

Common Mistakes

- **No Cover**
- **Owner/Occupier Policy**
- **Multiple Properties = Multiple Policies**
- **No legal cover, terrorism cover**
- **Inadequate rent cover**
- **Wrong tenant types**
- **Incorporated with the Business Insurance**

Underwriting

- **Rebuild Cost**
- **Contents Cost**
- **Address and Construction/Age**
- **Flood/Subs**
- **Use**
- **Rent**
- **Claims**
- **Existing insurer, broker, premium, excess, terms and renewal date or timescale.**

Underwriting

- Spreadsheet for Portfolios
- Visit/telephone to go through details
- Guildford Commercial Property Team
- Independent Broker inc. Lloyds
- Special Aviva relationship



Service

- One point of contact, me or CM
- Direct access, no call centres or holding
- No contact with the insurer
- In house claims team with delegated authority
- Reputable, selected insurers

- Advice
- £20m of Professional Indemnity Insurance



Questions



Stackhouse Poland

Private ▪ Corporate ▪ Charity

