



SIVAPALAN & CO

AUDIT • ACCOUNTANCY • TAX

How landlords can legitimately & legally reduce their tax liability

BY RAGU SIVAPALAN



Background

Originally from Sri Lanka Mr. Siva Sivapalan founded Sivapalan & Co in Cardiff in 1992. Mr. Sivapalan holds a double maths BSc (Hons) degree, worked as a mathematics lecturer in one of Sri Lanka's oldest most respected universities and has served as a Tax Inspector to the central government before moving to the UK to set up Sivapalan & Co.

Mr. Siva Sivapalan quickly became recognised, trusted and established which led him to become President of ACCA, in 1997 South Wales. Serving a second term in office in 1999 and part of the Euro Taskforce Committee advising on the Euro.

1992- Sivapalan & Co quickly grew and acquired larger offices in Cardiff.

2012 – Mr Ragu Sivpalan joined the practice to grow, modernise and showcase the firms talents & capabilities.

2016- Sivapalan & Co acquired a Digital Accounting Practice and started using Xero and Sage Online.

1992

2010

PRESENT

1997 – Mr Sivapalan became President of ACCA Wales, serving a second term in 1999.

2013- Sivapalan & Co won the ACCA quality checked awards and shortly after granted ACCA Approved Employer status.

Why choose Sivapalan & Co?



At Sivapalan & Co we are confident that we have the skills, experience and commitment to be your preferred choice of advisors. We go the extra mile to make sure we meet all your requirements.

Why us?

- Sivapalan & Co are a leading independent accountancy firm in Wales providing accountancy and professional advisory services to individuals and business for over 22 years.
- Our pro-active team will offer efficient and constructive recommendations.
- We deliver a full range of accounting and advisory services to our clients, we're not just accountants!
- Our success and growth results are completely from word of mouth recommendation, no marketing!

“We're not just accountants!”

Property Tax

We have seen many changes within the tax regime over the last 25 years and back in 2015 the Government made an announcement that Landlords who were high-rate or additional-rate taxpayers would no longer be able to deduct mortgage interest from their rental income and could only secure relief on the interest at the basic tax rate rather than the higher level. This applies to landlords who own personal property as well as those letting property in a partnership, but they have yet to be applied to furnished holiday lets or properties held in a company.

Since April 2017 this new system of calculating property tax has changed. If you haven't yet submitted relevant tax returns they can still be submitted any time up until the 31st January 2019.

Landlords are now facing up to the reality of increased tax bills, with the reality that potential changes will create issues for basic-rate taxpayers too in the future.

On a brighter note Landlords who own their properties outright will not see any difference to their tax bills.

Additionally, Landlords circumstances will only change if they are currently a higher or additional-rate taxpayer.

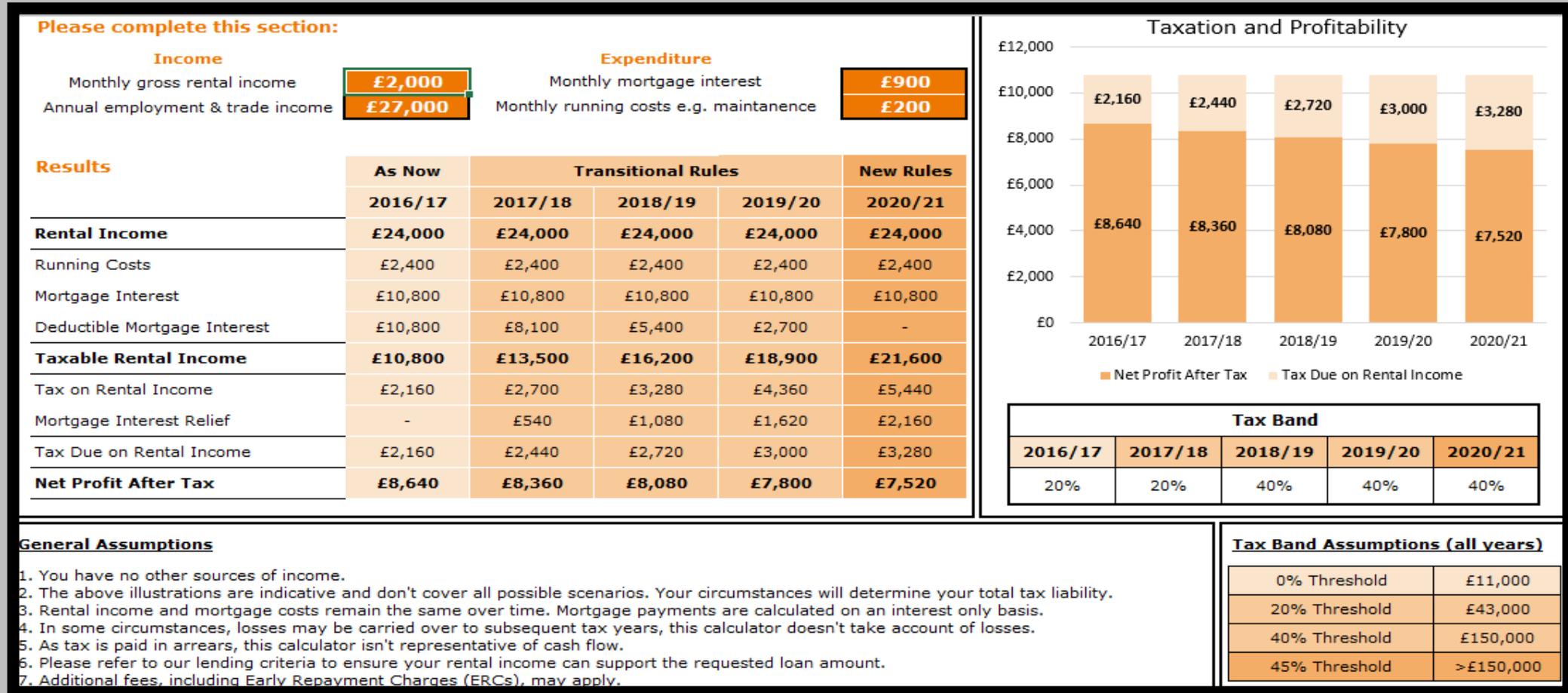


At Sivapalan & Co our tax experts will be able to confirm if a Landlord will be affected by this and by how much. We look at your property accounts from last year with mitigation and strategic planning to minimise the effects of these tax changes.

Sivapalan & Co will also look at succession planning to provide the right solution for each client. If you have any questions regarding these changes to the property tax system Sivapalan & Co are always happy to help and we welcome you to "Say Hello".

Property Tax Examples

An individual earning £27,000 with a rental income of £2,000 per month and mortgage interest of £900 per month and monthly running costs of £200 will pay an extra £1,120 in tax in the year ended 20/21 (rental income Tax bill £3,280).



Property Tax Examples

If an individual is earning £27,000 with a rental income of £3000 per month and mortgage interest of £1,400 per month and monthly running costs of £200 will pay an extra £3,360 in tax in the year ended 20/21 (rental income Tax bill £6,880).

Please complete this section:

Income	Expenditure
Monthly gross rental income	Monthly mortgage interest
£3,000	£1,400
Annual employment & trade income	Monthly running costs e.g. maintenance
£27,000	£200

Results

	As Now	Transitional Rules			New Rules
	2016/17	2017/18	2018/19	2019/20	2020/21
Rental Income	£36,000	£36,000	£36,000	£36,000	£36,000
Running Costs	£2,400	£2,400	£2,400	£2,400	£2,400
Mortgage Interest	£16,800	£16,800	£16,800	£16,800	£16,800
Deductible Mortgage Interest	£16,800	£12,600	£8,400	£4,200	-
Taxable Rental Income	£16,800	£21,000	£25,200	£29,400	£33,600
Tax on Rental Income	£3,520	£5,200	£6,880	£8,560	£10,240
Mortgage Interest Relief	-	£840	£1,680	£2,520	£3,360
Tax Due on Rental Income	£3,520	£4,360	£5,200	£6,040	£6,880
Net Profit After Tax	£13,280	£12,440	£11,600	£10,760	£9,920

General Assumptions

- You have no other sources of income.
- The above illustrations are indicative and don't cover all possible scenarios. Your circumstances will determine your total tax liability.
- Rental income and mortgage costs remain the same over time. Mortgage payments are calculated on an interest only basis.
- In some circumstances, losses may be carried over to subsequent tax years, this calculator doesn't take account of losses.
- As tax is paid in arrears, this calculator isn't representative of cash flow.
- Please refer to our lending criteria to ensure your rental income can support the requested loan amount.
- Additional fees, including Early Repayment Charges (ERCs), may apply.

Taxation and Profitability

Tax Band				
2016/17	2017/18	2018/19	2019/20	2020/21
40%	40%	40%	40%	40%

Tax Band Assumptions (all years)

0% Threshold	£11,000
20% Threshold	£43,000
40% Threshold	£150,000
45% Threshold	>£150,000

Our Services

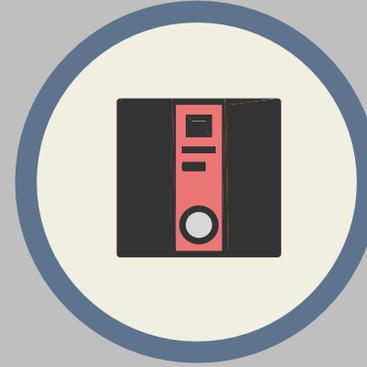
We provide a range of core services for SME's, individual's and corporate clients including:



Accountancy services



Digital accounting;
Xero & Sage Online



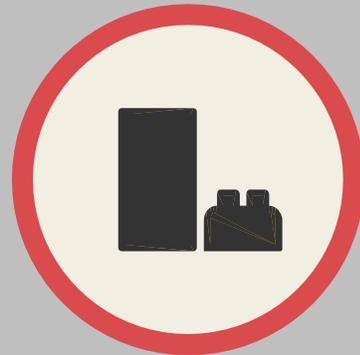
Bookkeeping
Services



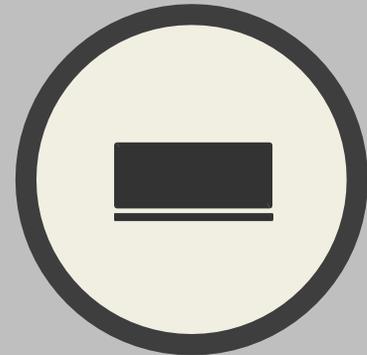
Audit Services



Tax Compliance
Services



Company Secretarial
Services



Payroll & Pension
Services



Forensic Accounting
Services



SIVAPALAN & CO
AUDIT ◦ ACCOUNTANCY ◦ TAX

Ragu and the team have helped me and my wife remain tax efficient for many years not just focusing on short term goals but also long term with our Family portfolio – Thank you Sivapalan & Co - Marc Watkins

My portfolio is already difficult enough to manage but Ragu and Siva take some of the pressure off when it comes to the tax submissions and family planning. Always grateful for helping me through things– Zafar Malik

Excellent strategic advice over the years that has helped me and my family in so many ways. Happy to recommend them – Ali Hosseini

Sivapalan & Co is a firm with competent and efficient staff ready to resolve any issues. Thank you for your advice and help and for putting up with my questions- Steve Williams

Thank you very much for all the professional advice provided over the years to keep my tax records up to date. I would highly recommend the team for all tax related matters. - Peter Cruci

Siva and Ragu have been looking after our family for many years and currently now the third generation is being planned for. Thank you for looking after us – The Saeed Family

ANY QUESTIONS?

Mr Ragu Sivapalan BA (Hons), ACCA
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ACCA

I would highly recommend Sivapalan & Co Accountants they have provided me with a brilliant service. My company rental accounts were completed in a quick and efficient manner and they are very professional, always approachable, happy to answer questions and offer great advice. I would definitely recommend! - Mohammed Parvaiz.

Having known Ragu and Siva for over 25 years I have no hesitation in recommending them to anyone. The father looked me for many years and the son takes just as much care of me and my family, Wonderful people – Ross Cantor



PINNACLE[®]
Letting & Estate Agents

We have reliably supported leading letting agents Pinnacle since setting up the company 20 years ago through to the established business it is today.

Working closely with Leah Charles company director.

“As well as ensuring that our annual accounts are completed, Sivapalan has successfully guided our business strategies and shareholder changes to make Pinnacle what is today.” – Pinnacle Lettings & Estate Agents.