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Chartered Accountants and Tax Advisers
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Lettings

Non-Resident companies

From 6 April 2020, non-resident companies will be subject to corporation tax on their UK property income. HMRC should automatically issue new company Unique Taxpayer Reference Numbers (“UTRN’s”), however, if a UTRN is not received by 30 June 2020 one should be requested from HMRC.

The method in which the tax returns are submitted will be different as the tax return and accounts will be filed online using the Inline eXtensible Business Reporting Language (known as iXBRL). This is likely increase compliance costs to ensure the accounts and returns are in the appropriate format.

A further administrative burden is the tax payment dates will no longer be the 31 January and 31 July. Under corporation tax rules, group profits up to £1.5m will have a payment date of nine months and one day after the year end. For example, if the year end is the tax year, being 5 April 2021, the only tax payment date will be 6 January 2022. Please ensure the tax is retained when making distributions. Companies with higher profits will be required to pay on a quarterly basis.

Please ensure you are ready for the changeover.

Mortgage interest relief

The rules are changing for residential properties. Previously individuals could claim interest paid on buy-to-let mortgages as a business expense to directly reduce their taxable profits. This relief has been phased out over the past three years but from 6 April 2020 it will be removed but individuals will still receive some relief in the form of a tax credit up to their basic rate band.

It may be worth considering holding residential properties via a different structure, such as a company, however, this should be reviewed on a case-by-case basis as any changes in structure will give rise to a number of other tax implications.

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