Newsletter
Over 35,000 subscribers

Volume 1, Issue 29
April 2008

www.LandlordZONE.co.uk

Rental Property Knowledge: a website for Landlords, Letting Agents and Tenants. This site hosts the UK's **busiest** [rental property forum]

Inside this issue:

LandlordZONE

RENTAL PROPERTY KNOWLEDGE

The Budget in Review—April 2008

The gloom, it seems, continues.

A downbeat [IMF report] out last week concludes that the financial market crisis has developed into the biggest shock to the system since the **1930s Great Depression** and predicts 1 trillion $ total losses (around £500 billion)

With oil and food price inflation rising, the report warns of a one-in-four chance of a global recession, with the **world economy trapped between fire and ice**—between slumping growth and rising inflation—the dreaded stagflation of the 1970s.

A **vicious circle** could be set in train: lack of confidence by the financial markets, lack of funds for investment leading to falling property and asset vales, reduced economic output, leading to job losses in turn leading to lack of investment—lasting for years.

But there are now some signs that the credit crunch may be contained and although the 1/4% cut in in Bank Rate this week to 5% has had little initial impact, analysts are predicting that the rate is headed to 4% in the next 12 months. The BOE could also do more to stimulate confidence & growth, helping borrowers.

The problem at the moment is that the cost of money (the wholesale interbank lending rate (LIBOR) is around 1 percentage point above Bank Rate, which means that mortgage rates are stubbornly refusing to come down quickly.

Previous house price crashes have only occurred in serious recessions, so it remains to be seen if this scenario is enough to precipitate one in the UK.

With **house prices** up around 180% in 10 years, 300% over 20 years and 9,000% over 50 years, owners should have some room for manoeuvre, though overstretched newcomers who have paid over the odds are already feeling pain.

Currently, average house prices are around 6 times male average earnings, a traditional guide, though some experts now argue the measure is obsolete with 2-earner couples.

Average house prices could fall by around 10% this year with commercial values expected to correct by between 20 & 30%, hopefully before picking up again in 2 years or so.

Given this background and despite evidence of a relatively strong economy in the UK, it brings into question our government's handling of first the Northern Rock crisis (vis-à-vis Bear Stearns), the recent budget and it's room for manoeuvre in a crisis because of government debt.

In this issue **Maurice Patry FCA, of Landlords Tax Services Limited** reviews some of last month's budget measures with particular reference to landlords.

Maurice says, "the 2008 Budget is wide ranging, and this summary deals only with key points. It is not an exhaustive review. Whatever is contained in the Budget should be treated with caution; the final version that becomes law may differ significantly from the Budget. You should not rely on summaries. Use it as a guide only and take professional taxation advice which takes into account your personal circumstances."

Welcome

Welcome to the April 2008 issue of the LandlordZONE Newsletter which reviews the **2008 Budget**.

One major change affecting landlords is the abolition of taper relief and the introduction of a **unified CGT rate of 18%**

This caused consternation in the small business community until the Chancellor introduced some special exemptions.

It could be a windfall for some short-term BTL investors wanting to get out quickly, but it could also have an adverse effect on an already shaky property market if too many investors rush for the exit.

The **[Landlord & Buy-to-Let Show]** this week is one of the highlights of the year for Landlords—**18-19 April** 2008 at **London Olympia.** Over 80 exhibitors—sold out—& a comprehensive seminar programme:

-Friday, 16.30 & Saturday, 16.00 Tom Entwistle, LandlordZONE—**Selecting & Managing Your Tenants**: The Key to Success in the Rentals Business
-Friday, 15.30—The BBC's Sarah Walker will outline how to **Present your Property** for Quick Rental at the Best Possible Price, and **Adding Value to Your Investment**

-Friday, 14.30—Keep up-to-date with the law: Landlord Law's Tessa Shepperson looks at **Essential Legal Points for Landlords**
-Saturday, 12.00 **Leaseholder Rights** from ALEP (The Association of Leasehold Enfranchisement Practitioners) as they explain **How to Negotiate the Minefield of Owning a Flat...**

Hope to see you there,

Tom Entwistle, Editor

1—Capital Allowances

The Industrial Buildings Allowance and the Agricultural Buildings Allowance continue to be reduced as promised in the 2007 Budget and will be phased out altogether by 5th April 2011.

For 2008-09 a business will be entitled to claim 75% of the Writing Down Allowance (WDA). Enterprise Zone Allowances (buildings in enterprise zones) will also be withdrawn by 5th April 2011.

The main rate of writing down allowances (WDA's) is reduced from 25% to 20%.

The rate on long life assets has been increased from 6% to 10%. A new "special rate pool" is created which will absorb the remaining WDV's of long-life assets.

Long-life asset pools will cease to exist. The new "special rate pool" attracts a WDA rate of 10% and is of interest to landlords because it now includes a new asset classification: "Integral Features and Thermal Insulation". The list of assets categorised as "integral features" is:- electrical systems (including lighting systems), cold water systems, space or water heating systems, air cooling or air purification and any floor or ceiling comprised in such systems, lifts and escalators, and external solar shading.

Currently WDA's at 25% are available for thermal insulation but from 1st April 2008 (companies) 6th April 2008 (individuals) this is reduced to the new 10% rate.

An "Annual Investment Allowance" (AIA) will give 100% relief on the first £50,000 of expenditure. It is available to any individual carrying on a qualifying activity (this includes trades, professions, vocations, ordinary property businesses and individuals having an employment or office). Any expenditure in excess of £50,000 will be dealt with in the normal capital allowances regime entering either the special rate pool or the main pool. The AIA complements and does not replace any of the existing 100% FYA schemes. Special rules apply for groups of companies. Where the balance in a pool (either main pool or special rate pool) is below £1,000 this balance may now be written off. This does not apply to "single asset pools".

There are to be further changes to the Capital Allowance regime for cars to be announced later in 2008.

Loss making companies may now exchange some 100% FYA's for a cash payment.

2—Income Tax

The starting rate of 10% for earned income and pension income ceases to exist from 6th April 2008.
A new starting rate of 10% will be introduced for savings income but this will only be of use to those whose earned income, pension income and taxable social security benefits do not exceed their allowances.
The basic rate is reduced from 22% to 20%. The 20% savings rate will be merged with the basic rate.
The higher rate will remain at 40%
The rates of tax for dividends remains at 10% and 32.5% for basic rate and higher rate taxpayers respectively.
For 2008-09 the personal allowance will be £5,435 for 2008-09. For those aged 65-74 the allowance will be £9,030 and for those over 75 years of age the allowance will be £9,180.

There is a strict order in which sources of income will be charged to income tax:- FIRSTLY non-savings income including earnings, pensions, taxable social security benefits and property income, THEN Savings income including bank and building society interest THEN dividends.

Looking for Undervalued Properties?

3-National Insurance

National Insurance is not payable on your income from property.

However if you have earned income (whether as an employee or as a self-employed person) you could be paying more.

The rates of National Insurance contributions remain unchanged.

The band of income on which you pay contributions has been widened considerably.

The point at which you start paying contributions has been raised by £3 per week for employed people (Class 1 contributions) and by £210 per year for self employed people (Class 4 contributions).

The self employed Class 2 rate (which replaced the old insurance "stamp") has gone up by 10p per week to £2.30.

The upper limits (where you stop paying contributions) have been raised.

While the changes in the lower limits provide a little saving, the increases in the upper limits deliver a substantial increase in the National Insurance payable.

The new Class 1 upper limit has gone up by £100 from £670 per week to £770 per week. This means that an extra £100 of your income from employment could be subject to NIC.

Similarly for the self employed the Class 4 upper limit has been raised by £5,200 per year (£100 per week) from £34,840 to £40,040 giving the same effect.

4-Non-Domiciled Rules

This has an effect on few people.

It only affects those who are non-UK domiciled.

Roughly, this is those who have come from overseas and consider their country of origin to be their mother country:

AND who have claimed the remittance basis of taxation (i.e. they only pay UK tax on income arising in the UK and income from abroad that they bring into the UK),

AND who have been resident in the UK for seven out of the last ten years,

AND who are adults,

AND who have unremitted foreign income of over £2,000.

For these people there are three significant changes:

- firstly they will have to pay £30,000 annual tax charge,

- secondly the higher rate of tax on foreign dividends remitted to the UK will increase from 32.5% to 40%, and,

- thirdly they will lose the UK Personal Allowances (for Income Tax purposes) and the Annual Exempt Amount (for CGT purposes).

Alternatively they can subject their worldwide income to UK tax and claim Double Taxation Relief (DTR) where appropriate.

The government has confirmed that the £30,000 is a "tax on unremitted income" and as such qualifies for DTR in many other countries.

These changes will affect many landlords who came to the UK from another country and who retain property overseas which is rented out.

5-Capital Gains Tax

Much publicised, much criticised, the changes in CGT are not all bad news, especially for landlords. The following changes affect individuals and trustees and not companies.

The rate of tax you paid on disposals on or before 5th April 2008 depended on how long you had held them and whether your property qualified as a "Business Asset" or as a "Non-business Asset"

The new flat rate of CGT is 18%, and both Indexation Allowance and Taper Relief have been abolished.

The definition of a "business asset" is outside the scope of this Budget Summary, but in general it included premises being used by a qualifying trading unquoted company.

Individuals and Trustees who dispose of the whole or part of a trading business or of shares in a trading company in which they have more than a 5% interest qualify for "Entrepreneurs Relief". This reduces to 10% the CGT on the first £1million of gains. This is a lifetime allowance and NOT an annual allowance.

The personal annual exempt amount (AEA) is £9,600 for 2008-09 (£9,200 for 2007-08).

Business Assets Basic rate 2007-08 22%, 2008-09 20%

Number of complete years held	Effective tax rate before 05 Apr 2008 Higher Rate payer	Basic Rate payer	Rate after 05 Apr 2008
<1	40%	20%	18%
1	20%	10%	18%
2	10%	5%	18%

Non-Business Assets Basic rate 2007-08 22%, 2008-09 20%

Number of complete years held	Effective tax rate before 05 Apr 2008 Higher Rate payer	Basic Rate payer	Rate after 05 Apr 2008
<3	40%	20.0%	18%
3	38%	20.9%	18%
4	36%	19.8%	18%
5	34%	18.7%	18%
6	32%	17.6%	18%
7	30%	16.5%	18%
8	28%	15.4%	18%
9	26%	14.3%	18%
10 or more	24%	13.2%	18%

Crimson Investments

Property Investment – the easy way !

We offer the following services:

*Discounts of 15% - 20% with typical savings of £25,000 on each purchase.

*New build properties from major developers.

*Low deposit down deals.

*Specialist Mortgage Brokers & Solicitors.

*Our 'Ready to Let Service' – furnishing packages.

*Appointing the letting agents.

*Continuing support with your property after purchase.

Crimson deal with all of the day-to-day issues involved in purchasing your property, so you truly are an armchair investor. Visit—www.crimsoninvestments.co.uk

crimson™ INVESTMENT PROPERTIES Discounted Property Deals

Review: Housing Rights Guide 2008-9, Geoffrey Randall, for Shelter

This book is now in its 13th edition and is recognised throughout the housing industry as an **indispensible guide to housing law**.

Written for Shelter by independent housing research consultant Geoffrey Randall this 2008-9 edition brings things bang up-to-date.

Although the book is ostensibly written with the housing advisor in mind, its clear, concise and jargon free style makes it ideal for the residential landlord as well.

Letting property inevitably brings the landlord face to face with the law, a good working knowledge of which is a big advantage when it comes to sorting out letting problems.

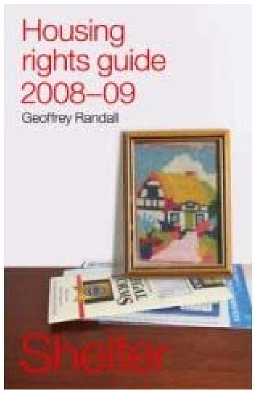
The problem with most books on Landlord & Tenant law though is they are full of legal jargon and most definitely, unless you've had legal training, difficult for the average landlord to understand.

This guide is a welcome change to that norm, and what's more, it covers all of the recent changes in this field.

Though there's a big chunk of advice for tenants, it's all very relevant to landlords and there's a particularly good section on the discrimination laws.

Possession procedures are covered in detail as are repairs, tenancy deposits, squatters, to name just a sample.

Well worth reading if you want to improve your skills as a landlord. Tom Entwistle



Available from:

Amazon

Shelter Bookshop

6-Inheritance Tax

The nil rate band has now been increased from £300,000 to £312,000. The rate on the excess over the nil rate band remains 40%.

Any unused proportion of the nil rate band may be transferred from one partner to another.

For example if, on the first death only 50% of the nil rate band is used, then on the second death 150% of the then nil rate band is available.

Money Back Mortgages

In 2006 **www.moneybackmortgages.com** was set up to give consumers like you an impartial service where you can search for and arrange your next mortgage with the added benefit of receiving 50% of the commission received by us.

The website has proved particularly helpful for **Buy to Let landlords** who generally remortgage on a regular basis to lower their monthly mortgage costs. With interest rates increasing, here is a way of lowering your remortgage costs.

If you arrange your next Buy To Let mortgage through us you can expect to receive on average £337.09 per property**.

** This represents the commission payable to clients who have arranged a Buy to Let mortgage though us. Correct as of October 2007.

MoneyBackMortgages.com is a trading style of Quay FS Limited, which is authorised and regulated by the Financial Services Authority.

Registered in England and Wales Company Number 5772066. Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

MoneyBack Mortgages.com

Landlord Manager

Landlord Manager V2

Visionbase software Limited have been producing property management software since 1995 and is therefore one of the older established software products producers aimed specifically at landlords.

The latest version of **Landlord Manager**, which has just been announced, uses a simple user interface to allow you to record property income and expenditure for any number of properties.

With numerous drill down facilities, reports and graphs you can easily track the progress of your rented property.

Other features include a Rent Centre that will track your tenants and their outstanding rents as well as the ability to print tenancy agreements and section 21 notices.

An Alert Centre records those critical events such as safety checks.

The program is designed to help you complete SA105 an SA801 tax returns.

You can also track VAT transactions and export your data to a Sage compatible file to give to your accountant

There's a Multi Currency facility for those with properties let in virtually any country in the world.

Multiple drill-down reports give you important data at a click of a button and will save you valuable time and money, keeping you on top of your portfolio at all times.

Another useful feature is the ability to synchronise your details with Microsoft Outlook ensuring you don't forget critical events and easily transfer contacts. You can download a free evaluation copy at:

landlord-manager.co.uk

London Property Zone - LPZ

LPZ—A dynamic residential letting & property management company based in Hammersmith, West London. We cover the whole of London and offer London's best value for money!

All inclusive **let-only fee 5%** (any re-lets are charged just 4%) & **fully managed service is 9%** - no hidden costs and no surcharge for overseas landlords, tenancy agreements, deposit registrations, reasonable number of call outs, tenancy credit checks etc..

We are pleased to offer our services to 28,000+ LandlordZONE Newsletter subscribers and a **£50 one-off discount** if you mention the LandlordZONE Newsletter.

Large exposure on findaproperty.co.uk (London's number 1 property portal), renting.co.uk - a high Google ranking and high visibility.

References from existing clients always available.

Visit our web site at **www.LondonPropertyZone.com** for further information.
Call Free 0800 011 2590 or 020 8222 8155

LPZ
LondonPropertyZone.co.uk

Forthcoming Issues...

There will be not be an issue of the LandlordZONE Newsletter in **May** 2008 due to holidays.

The **June 2008** issue will feature **Conveyancing and HIPs**.

For landlords and investors contemplating selling, and buying for that matter, these technical aspects are all-important, and **HIPs** are a whole new ball game to everyone, landlords being no exception.

In **July** we deal with **Problem Tenants, possession procedures** and Serving Section 21 and Section 8 Notices.

The **August 2008** issue will be devoted to **Student Lettings and HMOs.**

At this time of year student landlords are busy signing up a new batch tenants into their student accommodation.

In **September 2008** we will be looking at the implications of **Investing in Commercial Property**, investment syndicates and SIPPs.

October 2008—Floor Plans and Lease Plans.

TenantVERIFY™

Discount Letting

Discount Letting—a forward thinking team, we've been offering a range of **letting services** to the UK landlords for years—from a **full Management Service** to a **Tenant Find Service**, we offer UK landlords a service to suit your needs.

Over time we have been able to fine tune the processes we've put in place—we offer a smooth, hassle-free system.

- Low cost fixed fee structure for our **Tenant Find Service**.

- **Full Management Service** set at a 6% fee which is an extremely competitive rate for a comprehensive management service covering England and Wales.

Call **020 8 697 0984** to speak to Agent or visit www.discountletting.co.uk

Discount Letting

What's in the News for Landlords?

Despite all the publicity it seems there are still around 27% of the 1 million or so landlords in the UK still unaware of the **Tenancy Deposit Scheme**. The aggregate value of deposits protected in the three approved schemes is now just short of £1bn, with around 2,500 deposits being protected every day – about one million deposits in the year at an average value of £1000.
Surprisingly, according to official figures, there's only been 458 adjudications so far, so were the landlord associations right all along when they claimed that deposit disputes where not the problem that the government, along with the Citizens Advice Bureau, claimed, prompting this multi-million pound government approved and regulated scheme?
One alternative just announced is **TenantGuarantee.com** an insurance bond replacing the need for a deposit. The landlord initially pays for the guarantee (£100) which covers damage and rent arrears (up to 3 months' rent value) plus up to £5,000 legal costs. The tenant will be accepted provided they pass a credit & reference check. There's no need for the tenant to save for the deposit meaning most tenants see this as a big advantage and will gladly pay a one-off £100, so it costs the landlord nothing. The tenants is not "off the hook" either as they sign an indemnity which allows the insurance company to recover any damages paid out to the landlord.

As reported in **Property Week**, small landlord Maxwell Allen has appealed to the government to urgently amend the recent **legislation on empty rating of commercial premises**.

Allen, who owns several retail shops and offices in the Chatham area, claims that the legislation will cost him £33,000 p.a. and is in real damager of driving him into bankruptcy.

Property Week thinks this could be the first of many landlords driven to despair by this legislation, which is likely to raise £1billion per year for the government.

PW quotes Stephen Robertson, head of the British Retail Consortium (BRC) who said "The government must take us for April fools. It is ignoring the mechanics of the market because of a desperate need to plug holes in the budget, at a time when the economic slow down makes it more likely that premises will fall vacant."

The government continues to argue that this measure is good for small businesses and a spur to re-letting quickly but in many areas, subject to decline, rapid re-occupation at the end of a tenancy is likely to be just a pipe dream. This could be a huge embarrassment to the government if, as expected, many small businesses & landlords face severe additional hardship.

Landlord & Buy to Let Show 18/19 April 2008 Olympia, London

If you are serious about making money from being a landlord or buy-to-let investor, you can't afford to miss this event. Everything landlords and buy-to-let investors need under one roof.

40 FREE seminars by industry experts. Where and when to invest. How to avoid bad tenants, Tax planning, The latest legislation, 70 LEADING SUPPLIERS exhibiting the latest products & services. Money: the latest buy-to-let mortgages & landlord insurance. Property: UK and overseas property. Legislation: government agencies, specialist lawyers, tax experts. Goods & Services: great deals, buy-to-let furniture, safety, kitchens, supplies. Marketing: online services, future market conditions,

FREE ADMISSION saving you time & money, Better than spending hours on the internet.

www.landlordshow.com

Landlord & Buy to Let Show 18/19 April 2008 Olympia, London

If you are serious about making money from being a landlord or buy-to-let investor, you can't afford to miss this event. Everything **landlords and buy-to-let investors** need under one roof.

40 FREE seminars by industry experts. Where and when to invest. How to avoid bad tenants, Tax planning, The latest legislation, **70 LEADING SUPPLIERS** exhibiting the latest products & services. Money: the latest buy-to-let mortgages & landlord insurance. Property: UK and overseas property. Legislation: government agencies, specialist lawyers, tax experts. Goods & Services: great deals, buy-to-let furniture, safety, kitchens, supplies. Marketing: online services, future market conditions,

FREE ADMISSION saving you time & money, Better than spending hours on the internet.

www.landlordshow.com

The Property Investor & Buy-to-Let Show—Manchester

The Property Investor & Homebuyer Show is the largest and longest established property exhibition in the UK – and returns to **Manchester Central, 9-11 May**.

A particular highlight is the seminar programme that will feature sessions presented by a number of respected industry commentators including …

- Richard Bowser (editor of Property Investor News)
- David Lawrenson (author and founder of Lettingfocus.com)
- Jim Haliburton (H.M.O. specialist)

In addition, Jill Burdett (property editor of the Manchester Evening News) will chair the Friday afternoon debate.
If you are planning to visit the show … register online now for **FREE** admission at:
http://www.propertyinvestor.co.uk/manchester/register.asp?pc=landlordzone

Landlord Action—Seminars—"Power to the Landlord"

Credit CRUNCH—What an OPPORTUNITY! Right now there are people sitting scared rigid. What's going to happen to the market? What should I do? If you're in property, you know what to do—stop panicking and make the most of the situation.

"Power to the Landlord" is a **one-day seminar** hosted by respected eviction specialists **Landlord Action**—the London Evening Standard described them as "a blessing to landlords"

This seminar is completely independent with the focus on education—leading expert speakers will advise on topics including finance & the banks, taxation and dealing with problem tenants etc.

LandlordZONE is proud to be associated with **Landlord Action Seminars**—book your place now quoting reference **LLZONE** and receive a full 10% discount on this seminar normally priced at £300—**Sunday 8th June, 8.30am till 6.01pm** at the Park Inn Hotel, Heathrow

LandlordZONE RENTAL PROPERTY KNOWLEDGE

Newsletter
Over 35,000 subscribers

Phone: 0845 260 4420
Fax: 0870 199 2697
E-mail: editor (at)landlordzone.co.uk

Volume 1, Issue 29
April 2008
Newsletter Archive

letting zone.com®

LTSL
LANDLORDS TAX SERVICES LIMITED

Content for this issue supplied by **Maurice Patry FCA** is a Tax Adviser at Landlordss Taxation Services Limited, specialist tax advisers on property taxation. He has prepared this summary for landlords on the 2008 Budget.

LandlordZONE® - Helping Landlords since 1999 - a website for landlords, tenants & letting agents.

If you would prefer not to receive these e-mails please click the ***UNSUBSCRIBE*** *link at the bottom of every e-mail newsletter we send out.. Articles in all our publications are general information only and don't cover every case or issue. We try to keep information accurate and up-to-date but we cannot guarantee this is always the case. Always seek expert professional advice before making or not making decisions.*