

Newsletter

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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**

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LandlordZONE

RENTAL PROPERTY KNOWLEDGE

Administration for Landlords—What are the Options?

An important aspect of being a landlord is the **administration** involved with your property and lettings.

Given the recent publicity surrounding the paying of income tax on buy-to-let by HMRC (formerly The Inland Revenue) it's an issue which concerns all landlords and is worth looking into very carefully particularly if you are a new landlord.

The Revenue have been quoted as saying that as many as 80,000 buy to let landlords may be underpaying tax.

Some accountants say however that many landlords are actually overpaying tax because of poor administration.

Undoubtedly some landlords, perhaps more through ignorance than intent, are very foolishly failing to declare income from let property, or even not declaring that they own a property abroad.

Anyone failing to keep adequate records when letting property, which is effectively running a business, can be

subject to an immediate £3,000 fine. Tax Evasion is more serious still.

HMRC have stated that rough estimates of splits between business and private use for telephones and travel expenses are not acceptable.

All tax records including bank statements, income and expenses receipts, detailed travel and telephone logs must be kept for 5 years after the filing date.

As your private affairs may intermingle with your lettings business it's important to keep these records as well.

So for tax year 2006/7 filed before 31 January 2008 you need to keep your records until 31 January 2013.

Many people, and certainly those new to buy to let, will be running their lettings activates along side another occupation. This could bring them into the self-assessment regime for the first time and therefore it's



incumbent on them to find out what's involved—more on this later.

You have choices to make regarding administration, the answers to which will depend on factors such as the size of your portfolio, the type of lettings (individuals, students, HMOs etc) and whether or not you use managing agents.

Our time is valuable so you want to minimise the time spent on admin.

Do you use a paper-based system? a simple spread sheet? general accounting software? or specialist landlord property management software? Do you need a bookkeeper? and/or an accountant?

These questions need answers.

Welcome

If you're like me the paperwork and tax administration that goes with running your lettings business gets put off at the expense of more pressing matters.

With the best will in the world, when you're a busy person, administration of your properties eats into your private time, so it tends to get neglected unless you are very disciplined.

But disciplined you must be, and it's not going to get any

easier with all the new rules and regulations our government delights in churning out these days.

So, information about what's required is important and anything which makes this essential job easier is worth looking into for landlords..

In this issue of the LandlordZONE Newsletter we will explore some of the rules of property administration and what's avail-

able right now to make your task easier and quicker.

Whether you have one property or two dozen, you can save valuable time and a lot of worry by developing a systematic approach to record keeping and admin.

Paper based systems can be adequate for one or two properties but it's inevitable that we now think "computers" for any amount of accounting work. Tom Entwistle, Editor

Forward Planning and Documentation

Hindsight is a wonderful thing so the saying goes, but foresight is even better.

Starting with your desired end-result and working backwards is a recognised planning technique which is very effective, especially when applied to property investments.

With today's tax rules getting stealthier all the time you really do need to do some forward thinking with respect to taxation.—income tax, capital gains (CGT) and inheritance tax (IHT) even before you

invest.

You should try to plan your affairs so as to minimise tax and think about your exit route *from* your investments even *before* you *enter* the market—you owe this to your heirs!

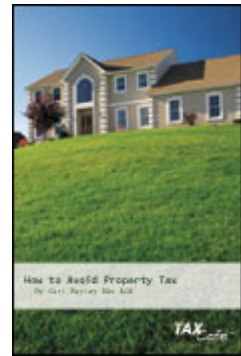
Tax rules are becoming so complex, and investing overseas is even more so, so it may pay you to consult a tax specialist from the start but you can also gain quite a lot from reading up on the subject yourself.

Documentation is vital if you

(or your heirs) are going to claim all the tax reliefs you are entitled to, as it could be many years between buying and selling your properties.

You need to keep a good record (original evidence including all statements, invoices and receipts) of everything to do with each property you own—this is your DTL—Dying Tidily LOG.

Record the purchase price, all purchase transaction costs and all the capital expenditure you make while you own your properties.



LettingAgent.com

An initiative by Award Winning Landlord Mortgages.

The service is very flexible and provides effective property management at a fraction of the cost of traditional Letting Agents.

Renting out a property can be a lot harder than it looks. Long-term landlords need to treat rentals as a business and run it professionally. You also need to be ready to tackle several challenges in a competitive market – a company such as **LettingAgent.com** can help you overcome each of them.

20,000 Landlords now have access to this highly competitive service.

The Let-Only service is particularly popular (3% of gross rent).

Available throughout the UK. For details call **0800 183 0070** or visit the website



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Capitol v Revenue—What Can I Claim?

Be aware of the distinction between **capital and revenue** expenditure.

Whereas expenditure on revenue items can be claimed against your income in the current tax year (strictly controlled by the HMRC rules—see HMRC Property Income Manual—PIM) anything you spend on your property classed as capital cannot be claimed until you sell the property.

Generally speaking, repairs and maintenance, along with a whole host of other business

type costs can be claimed against your rental income in the current tax year, but anything spent on improvements cannot.

The principle applies to interest payments as well. When you have an interest only mortgage, as is the case with many property investors, all the interest you pay can be claimed against tax in the current year. But with a repayment mortgage, only the interest element can be set against

tax—not the capital repayments you make.

Some buy-to-let investors have been falling foul of this simple fact and claiming ALL their mortgage payments.

HMRC view furniture as capital, but there are certain capital allowance concessions made—see links.

Increasingly, HMRC will make more generous allowances for so called “green” items of capital expenditure.



TenantVERIFY

[HMRC—Property Income Manual](#)

[HMRC—Land & Property Notes](#)

[Expenses and Allowances](#)

[Taxation of Property Income](#)

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Keeping Management Records

Tracking and reporting on rental activities is not difficult, it just requires a logical system as there's perhaps more information involved with rentals than in most other businesses.

Records for rentals fall into three areas:

- (1) The Property and property transactions
- (2) The Tenancy
- (3) Rental Income and letting Expenses

We've discussed (1) earlier. The Tenancy (2) involves keeping information in your property files including:

- (a) The Tenancy Application Form
- (b) Identity Checks
- (c) The Credit Check Report
- (d) Inventory & Deposit
- (e) The Tenancy Agreement

These are all vital pieces of information especially if disputes arise. They include personal information which must be kept under lock and key and in accordance with the principles of the [Data Protection Act](#).

Rental Income and Letting Expenses (3) require paper based or computer based accounting systems, all of which simply record money coming in and money going out of the busi-

ness in the accounting period—usually 12 months, the fiscal year—6th April to 5th April unless you have opted for a different tax year.

A simple **analysis book** - where you record income on one side and analyse expenses into different categories on the other, plus a lever arch file for invoices and receipts is basically all you need as a good paper-based accounting system.

This type of system if kept up-to-date is perfectly adequate for the small landlord with perhaps one or two properties and is acceptable to accountants, or HMRC if you decide to do your own tax returns.

If you are familiar with computers and spread sheets, it's very easy to develop your own **Spread Sheet** to do exactly the same thing as the analysis book, but with the added advantage of speed and accuracy of calculation.

If you have more properties, or you simply want to automate and speed-up your property administration process, then you will need to consider one of the many accounting packages now available on the market to help.

There are basically 2 options: (1) to use a general account-

ing program, or (2) use a specifically developed Property Management package.

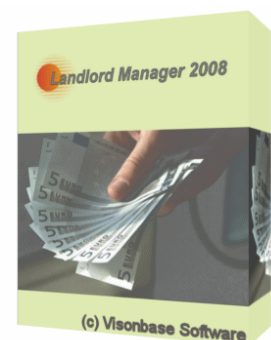
Here we discuss two suppliers' products which we know will meet the requirements.

[Accountz.com](#) produce 2 tried and tested products which are perhaps some of the easiest general accounting packages to learn. The Personal Accounts one is adequate for any landlord not involved with VAT. But for bigger portfolios and anyone involved with VAT you will need Business Accountz.

The advantage of using a general package is that you can combine your property accounts with your personal accounting, so they are ideal for the smaller landlord.

If you want a dedicated package specifically designed for property, with many extra facilities including tax calculations, you may like to consider [Landlord Manager](#) by long established property software developers Visionbase Software— see the Software Review on page 4.

Whichever software package you go for bear in mind you will need to invest some time getting familiar with it—you need to make sure beforehand that it's a good product and right for your needs.



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- 1000s of emails are sent by our student visitors to landlords on our site everyday.
- Over 5000 student landlords already registered and using our site.



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Landlord Manager 2008—Software Review—Visionbase Software

If you run your property rentals business as a sideline to your full time occupation, as many landlords do, then anything that saves you time and trouble is going to be worth consideration.

A software package such as **Landlord Manager** is designed specifically to save you time, to remind you of important deadlines and to help you prepare your self-assessment tax return.

Of course, any piece of software involves a certain investment in time to initially learn the package. Until you get familiar with the software it will probably take more

time than before, but after that, with a reliable and efficient program, you will find your administration task becomes much easier, quicker and more accurate.

Landlord Manager is designed for the needs of small landlords as well as large portfolio landlords and property managers.

Produced by long established software house, Visionbase Software Limited, you can be sure of a reliable package with safe ongoing support.

The program loads quickly and gives a nice Microsoft style interface, one with which most of us are familiar.

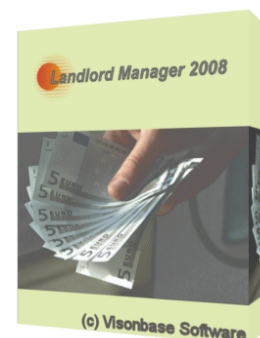
The program does take a little while to get used to but anyone that persists beyond the initial learning curve will find many benefits, especially if you have several properties to manage.

The program works you logically towards completing your tax return, with each entry allocated to a self-assessment tax category and HMRC style print outs.

The program alerts you to important tasks and the large version syncs with Microsoft Outlook Contacts and Diary events.

An impressive system.

Tom Entwistle



London Landlord's Day

LandlordZone.co.uk is supporting **London Landlords' Day**, consequently, LandlordZone.co.uk readers are invited to attend on **Thursday 6th September at Olympia**.

This event, in its eight year, is produced by Accession UK, organisers of the Landlord Show. **London Landlords' Day** is supported by the **London Landlord Partnership**, **London Landlord Accreditation Scheme** and various London universities and councils. London Landlords' Day is the only landlord event dedicated to the capitals' large and diverse landlord community and will boast a comprehensive exhibition and free seminars.

Book your **FREE TICKETS** now on www.londonlandlordsday.co.uk.



Security of Data

It's perhaps a sign of the times that landlords, like everyone else in business, need to think about data security.

You are dealing with some pretty sensitive information when you take on tenants and of course there's your own personal details at risk as well.

Identity theft is a growing problem and landlords are vulnerable, especially if you have ever lived in one of the properties you let out—mail arriving at a property gives others an opportunity to steal identity.

Finally, there's loss of computer data through equip-

ment failure or theft. It's important that you back-up all computer data on a regular basis and keep a copy in a safe, fire proof, location.

What can I do?

- Keep all tenants' personal details under lock and key, preferably in a safe and in accordance with the [Data Protection Act Principles](#).

Where data is stored on computer, particularly laptops, ensure it's password protected and encrypted.

- Always check tenants' identities and keep your own personal information safe—see [How to Avoid Identity Theft](#)

If you've spent time all year entering accounting data into a computer program it's a disaster if you should lose it all due to theft or a hardware failure.

Hard drives do fail, so always back-up your data to a CD or an external hard drive.

If you do any amount of computer work, consider "cloning" your main drive onto a back-up external drive.

[Acronis 10](#) is an inexpensive program which will do this for you. It takes a little patience to get to know what you're doing, but it's well worth the effort.



[Data Protection Act Principles](#)

[Landlords—How to Avoid Identity Theft](#)

The Property Investor Show—ExCel London 21-23 Sept 2007

The Property Investor Show is the largest dedicated property investment event held in the UK each year and, following its highly successful 2006 exhibition, returns to ExCeL London for a 6th year in September (21st -23rd).

The show is the dedicated property event for serious buyers. So if you are considering buying residential or commercial property for investment purposes - in the UK or abroad - The Property Investor Show will answer all of your questions.

The show will feature property and property-related services from approximately 350 exhibitors including major house builders, developers, estate agents, lenders, brokers, training companies, landlord associations and other leading property experts...and its unrivalled programme of 120 highly informative seminars will cover all aspects of buying, financing and managing your property.

Register online now for FREE admission at:
<http://www.propertyinvestor.co.uk/london/register.asp?pc=LZONE>



Empty Rates Campaign

The government is to push ahead with plans to scrap rate relief on empty commercial buildings after its **Empty Properties Rating Bill** passed its second reading in the House of Commons last Thursday.

Property Week's Empty Threat Campaign was highlighted by Conservative local government spokesman Michael Gove, who opposed the

bill as a straightforward exercise in raising revenue.

It seems a very short sighted move by government and makes one wonder whose interests they have at heart?

Although the bill scrapping empty rates relief is likely to be passed in its current form, industry lobbyists are confident of winning concessions in the autumn and of having some measure of relief rein-

stated.

It is widely acknowledged within the property industry that the measure will have damaging consequences for small businesses, landlords, property developers and the environment.

To support Property Week's campaign **email your views** for presentation to Gordon Brown to: emptythreat@propertyweek.com



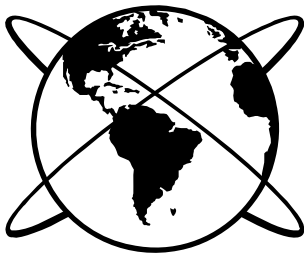


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Phone: 0845 260 4420
Fax: 0870 199 2697

E-mail: editor(at)landlordzone.co.uk

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LandlordZONE® - Established in 1999 - is a portal website for landlords, tenants & letting agents - a knowledge-base for practitioners, and a marketplace for buyers and suppliers. It gives free access to all - and with around 1/2 Million visitors per month the site is a key focal point for the rental property industry. The site hosts the busiest rental property Question and Answer Forum in the UK.

Got a letting problem—try asking the LandlordZONE® Forum

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