



Julia Casimo

Taxman has been given new powers to track down buy-to-let landlords

Q. I have received a letter from the tax office asking me to give them details of a buy to let property which I own. I have never bothered to fill in a tax return, because I don't make a profit. How did they find out?

A. The tax office are putting a lot of effort into cross checking details from the Land Registry, the council tax registers and the housing benefit records to track down buy-to-let landlords not yet in the system. Up until now this has been a correspondence based process.

This is all due to change soon, when buy-to-let landlords, or indeed their tenants could get a knock on the door from the taxman as part of a new government drive to crack down on the sector.

After next April new powers will give officers of HM Revenue and Customs the right of entry into people's homes if business records (and this includes a buy-to-let business) are kept there. There will also be a new penalty regime which can penalise people for not keeping adequate records amongst other things.

HMRC are concerned that many buy-to-let investors incorrectly assume that they can offset the full cost of a repayment mortgage against their rental income. Other common errors include claiming the cost of capital expenditure against rental income or incorrectly allocating all of the rental proceeds to just one of the joint owners of a property.

Q. What should I do, should I respond to the letter?

A. Yes. You will need to respond with details of your buy-to-let property, including the income and expenses throughout your period of ownership. The taxman will also probably want to find out how you funded the purchase, so be prepared to deal with this as well. I strongly suggest that you engage a tax advisor who has experience in this area to assist you.

As with many decisions you really do need to take independent financial and tax advice. If you would like our help call Julia on **0151 228 8977** at **John Kerr Chartered Accountants** 369-375 Eaton Road, West Derby, Liverpool L12 2AH. Authorised and regulated by The Financial Services Authority

