



Julia Casimo

Taxman shifts focus to amateur property speculators

Q. I have received a letter from HMRC asking for details of properties I have bought and sold – how did they pick me?

A. HMRC are currently targeting buy-to-let landlords and amateur property developers to boost Treasury coffers. The Revenue are checking the Land Registry records to identify people who have bought and sold properties without telling the taxman. Enquiries focused on residential properties have become much more common in recent months.

There are a number of areas that HMRC are focusing on, they are undeclared rental income, undeclared capital gains and also people who have who have bought and sold a number of properties over a relatively short period.

Q. I have been bought and sold a few properties, I do them up and then sell them, but I have taken care that the profit I make is always inside my annual exemption for Capital Gains Tax – so there is no tax to pay – is this correct?

A. No – not necessarily. HMRC is pursuing taxpayers who have bought and sold a number of properties over a relatively short period because it believes that in some cases people who regularly carry out this type of activity are engaged in a trade and are therefore liable to income tax and national insurance, just like any other trading business.

They consider that people who buy, renovate and sell properties without letting them could be considered property developers. Any gains would be taxable as income. Needless to say, the difference between Capital Gains Tax and income tax would usually mean a big increase in the amount of tax they would have to pay.

This is not new but HMRC's new techniques and software means the Revenue can "interrogate" the Land Registry database more effectively than it could a few years ago, making this a very useful source of information for them.

You should take the letter very seriously and take professional advice before you respond.

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

