

Money Matters



by financial expert Graham Jennings

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MONEY MATTERS

With Graham Jennings

Taxing Times

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My wife and I are thinking about buying a villa in Spain in order to let it out to people for holidays as well as use it for ourselves. What is the tax position relating to the income we will receive from letting it out?

A.

Whilst you will pay tax at your normal UK rates on any profits from letting the property because it is a 'Furnished Holiday Letting' (FHL) there are some tax advantages over other normal lettings such as a buy to let property. This is because they are treated as a 'trade' even though the profits are in fact derived from a property business. To qualify the property must be located in either the UK or the EEA. The special treatment of a FHL means that:

- Capital allowances are available on furniture, furnishings, white goods etc. in the let property as well as on equipment used outside e.g. tools or gardening equipment

- The income is 'relevant UK earnings' for pension purposes

- There are capital gains tax reliefs available for traders including entrepreneur's relief (see below).

For a property to qualify as a FHL then the following tests must be met;

1. The availability condition – during the tax year the accommodation is available for commercial letting as holiday accommodation to the public for at least 210 days.
2. The letting condition – during the tax year the accommodation is actually let as holiday accommodation to the public for 105 days
3. The pattern of occupation condition – the accommodation must not be let for periods of longer-term occupation for more than 155 days per year. Longer term occupation is a letting of more than 31 days.

Relief for losses generated by a FHL may only be used to carry forward against profits of subsequent tax years arising from the same business in which the loss arose. Consequently the profits and losses of a UK FHL and an EEA FHL business need to be calculated separately.

Entrepreneurs Relief

Providing a FHL has met the criteria then some relief from capital gains tax will be available when the property is sold. On the sale of a normal buy to let property the rate of tax on gains will be at 18% for basic rate tax payers and 28% for higher rate tax payers. The availability of entrepreneur's relief on FHLs brings the rate of tax down to an effective 10%.

Any reader interested in discussing this topic further can telephone Graham Jennings on 01344 875000.

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Business news



Building trust: Lily Yuan Li, Hon Mary Bayliss, Lord Lieutenant of Berkshire, and Jennie McCracken, Mayor of Bracknell Forest Council. Below, the Chinese delegation visited Crowthorne, Slough and Ascot last week to discuss ways of working together to create business opportunities.



Partnership boasts successful results

A PARTNERSHIP between two stores is proving a huge success in Berkshire.

JOHN Lewis has been a significant rise in sales after refurbishing its Reading department store.

Supermarket Waitrose, which has its head office in Bracknell, has also recorded a 29% increase in profits, which it puts down to new products and stores, an increase in online sales and cutting costs.

Part of the success story of the John Lewis Partnership, formed between the two stores, comes after the £20m refurbishment of John Lewis in Reading's town centre, which opened in November last year, and the launch of its online purchasing scheme.

Ross O'Connor, operations manager of the Broad Street store, stressed a new in-store Beauty Retreat, which opened in January, has also pulled in a different kind of customer.

He said: "This has built up the customer base a great deal. Reading is one of only three stores to offer this, but we are outperforming the others.

"Once customers discover it, the word spreads and it allows us to offer a complete shopping experience."

He added: "Online has grown hugely, we are

up 60% on last year following the launch of the 'click and collect' service, which lets customers place an order before 7pm and pick it up from our depot after 2pm the following day."

Nationally, profits at John Lewis stores were up 12.8% on last year to £1.6 billion, with online gross sales up 43% to £375.8 million. It published its interim results on Thursday, September 13, revealing a 6.7% rise in sales in the year to July 28.

Waitrose has seen its operating profit soar to £142m, up £31.8m on last year, after launching 2,700 new and improved products and a new store in Bracknell last November.

Graham Oakley, manager of the Bond Way store, could not reveal the specific profits for Waitrose Bracknell, but said: "We are pleased with the performance of Waitrose Bracknell and sales continue to exceed our expectations."

A boost from the Diamond Jubilee and London 2012 has also helped matters and Mr Oakley added: "There was a fantastic atmosphere on the day that the Olympic Torch passed by our branch."

The figures relate to the six months ending July 28, in which time Waitrose opened ten new stores. Waitrose's like-for-like sales were up 2.2%, but online sales were up 50%.

Solicitors moo-ve to take on role

BRITAIN'S largest agricultural solicitor has moved to pastures new after opening an office in Reading.

Law firm Thrings opened its fifth branch in Thames Valley Park Drive, in Thames Valley Business Park, on Wednesday, September 19.

The organisation has the largest specialist agricultural

team in the country, and the new venture was triggered by its reappointment to the National Farmers' Union (NFU) Legal Panel, acting as sole firm for farmers in Berkshire, Buckinghamshire, Oxfordshire, Hampshire, Isle of Wight, Surrey and West Sussex. Partner Derek Walsh, who heads up the Reading

Links built for growth

BUSINESSES have forged key relationships with Chinese companies to develop investment opportunities between Berkshire, Beijing and beyond.

Delegates from small and medium-sized businesses in cities across China met with firms in Bracknell, Ascot and Slough on Monday and Tuesday last week as part of the LinkToChina programme.

At three meetings experts in areas including ITC, pharmaceuticals and construction discussed ways to collaborate and took part in one-to-one sessions.

Dr. Kegang Wu, executive director of

LinkToChina said: "Between the two groups of companies, understanding was deepened, trust was built, partnerships were formed and deals were done during the one-to-one matchmaking."

LinkToChina is a partnership between British Chambers of Commerce, local authorities and China Council for the Promotion of International Trade.

Thames Valley Chamber of Commerce organised the LinkToChina conference at Slough's Copthorne Hotel on Monday last week, where Chinese delegates met with more than 160 Slough and Windsor businessmen and women.

Christina Howell, head of external affairs for the chamber, chaired the meeting and said: "We have a vision to increase co-operation and deal with barriers that affect our businesses as we know the opportunity for the UK is significant."

Then on Tuesday last week the Chinese delegates met Bracknell area businesses at Wellington College, in Crowthorne, and Ascot firms at Ascot Racecourse.

Clr Marc Brunel-Walker, executive member for economic development and regeneration at Bracknell Forest Council, which arranged the Crowthorne meeting, said: "The Chinese visitors were clearly impressed by the borough and excited about investment opportunities within the area."



Welcome: MP Dr Phillip Lee opens the new CentriLogic building, in Bracknell, with Robert Offley and Joe Damiani. 125219 **PHOTO: MIKE SWIFT**

MP says hi to new tech firm

Bracknell MP Dr Phillip Lee joined staff on Friday, September 7, at CentriLogic to cut the ribbon at their first European office.

The Canadian computing business, with its new base in Bracknell's Arlington Square, manages IT infrastructures and, as well as bringing new business to the town, hopes to bring employment opportunities to skilled workers. It has a staff of three and hopes to recruit 10 more in the coming year.

Robert Offley, CentriLogic's president and chief executive, said: "Bracknell represents the ideal location in terms of proximity to many high-tech companies in the area. In addition, being so close to major roads and airports makes it perfect for our European head office."

The data centre offers cloud computing and hybrid hosting.

Mr Offley added: "We will be providing services to companies from all around the world and attracting large international enterprises to the area, while also providing employment opportunities to local residents. We have hired – and will continue to hire – local people."

Dr Lee said: "I toured the facilities with Robert Offley and I was truly impressed!" See www.centrilogic.com