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## **SOME LANDLORDS MAY BENEFIT FROM CAPITAL GAINS TAX CHANGES**

From next April, capital gains tax (CGT) on buy to let properties will be slashed to a flat rate 18%, rather than the somewhat complex 'taper relief' system ranging from 40% down to 12% after ten years or more.

"Christmas has come early for many landlords," says Graham Harrison, Chief Executive of ARLA registered Ashton Burkinshaw, the southeast's leading specialist letting and property management agent. "Although the majority of landlords intend to keep their properties for the medium to long term, there can always be a case for early disposal – whether for reinvestment in another property or to release equity for other investments - and the financial penalties will now be significantly reduced for most people."

Former homes which are rented out and then sold within three years are still exempt from CGT, but holiday home owners, offering short term lets, will now see an 80% hike in CGT, up from 10% to 18% on any profit.

"It's important to keep this new regime in perspective," continues Graham Harrison. "Without the private sector, we would be facing a serious housing crisis in this country, and landlords are aware that the longer they retain their properties, the higher the capital gain is likely to be."

"Historically, over the medium to long term, property prices have risen, despite any slow down in the housing market," he continues. "This is one of the main reasons why landlords not only stay in the rental sector, but also tend to build up small portfolios of property over time. The majority are looking for capital growth and, as long as the rental income covers their outgoings, they stick to the golden rule of not selling. On the other hand, professional landlords with a large portfolio are looking for rental income, and capital growth is secondary, although still important."

"Being prepared to take professional advice on what and where to buy, and also a readiness to review the portfolio over time, to ensure it is maximising its financial potential is another golden rule. In some circumstances, it can be advisable to sell and reinvest in a better property proposition, to increase yield."

"Second hand usually represents better value than brand new, for example, and ex-local authority properties, or those needing improvement, in the right locations, can offer good opportunities. Crucially, the figures do need to add up, and landlords must take into consideration not only their mortgage costs, but legal and agents' fees, insurance, void periods, repairs and maintenance."

