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Top 10 real estate tax and accounting issues

David Gage, who leads the Bristol real estate team at Smith & Williamson LLP, highlights the key tax and accounting issues that should be considered by companies in the real estate sector.

Despite the general economic uncertainty surrounding Brexit, real estate is an important and thriving sector in the South West. There are a raft of tax and accounting issues for which early advice should be sought, particularly where property related transactions are concerned, to ensure the most financially efficient approach is taken.

Off-payroll working and the impact on CIS

HMRC is introducing new rules from April 2020 that will have significant impact on businesses engaging workers through personal service companies. As a result, responsibility for determining the PAYE and NI status of such workers moves to the business. This may also have an impact on the Construction Industry Scheme (CIS) verification process.

VAT domestic reverse charge for building and construction services

From 1 October 2020 contractors and sub-contractors will have to self-account for any VAT in the supply chain before the supply to the end user. The rules only apply if the services supplied are subject to VAT at the standard or reduced-rate and reportable under CIS.

Disposal of UK real estate by non-resident companies

From 6 April 2019 UK tax was extended to all UK real estate owned by non-UK resident companies. This now includes commercial property, as well as shares in 'property rich' businesses. Non-resident companies will now be subject to corporation tax on gains at 19%.

Research & Development (R&D)

Many companies in this sector overlook R&D relief as they are often not aware they are undertaking R&D activities. If you carry out work which is innovative or ground-breaking in your field and attempts to solve a problem, tax relief at 230% of the qualifying R&D spend could be obtained.

Structures and Buildings Allowance (SBA)

SBA is a new tax relief that extends the capital allowances regime to the construction and conversion costs of non-residential buildings and structures. Relief is available at a flat rate of 2% for 50 years, and can be claimed on both UK and foreign properties.

Funding of Sale & Leasebacks

There is increasing interest in Sale and Leaseback arrangements as they typically give the lender the security of ownership of the property and the business can continue to utilise the property. The terms of arrangement can be structured in a variety of ways, each having its own tax and accounting implications.

Intra-group property rentals

Following the recent review of UK accounting standards, entities that rent property to other group entities are no longer required to account for that property at fair value within 'investment properties', although they can make an accounting policy choice to continue with this treatment. Instead the entity is able to apply the cost model of accounting and avoid the costly valuation fees.

Aborted transaction VAT recovery

If a VAT registered business aborts a development project that would have resulted in future taxable supplies they can still benefit from full VAT recovery.

International accounting standards lease accounting change

For those using international accounting standards from 2019 there is a single lessee accounting model requiring lessees to recognise assets and liabilities on the balance sheet for all leases. It is designed to eliminate virtually all off balance sheet accounting for lessees and may change the results of some financial key performance indicators.

Stamp Duty Land Tax (SDLT) payment and filling deadlines

With effect from 1 March 2019 the payment and filling deadlines have been reduced from 30 days to 14 days.

If you would like further information regarding any of these issues our real estate team specialists would be happy to assist you.

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