

Legal And Tax Considerations

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- Are of critical importance
- You need to have the right knowledge and keep up-to-date with major changes
- Country-specific, hence cannot give details here

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Legal Considerations

- Consult a law professional
- Buying the property in individual, joint or company name
- Make sure all your contracts (buying, selling, options, TA's etc.) are in good order
- Does law favour landlord or tenant?
- Speed of dispute process
- UK Ltd. Co.: own legal entity, can be more tax efficient for certain biz purposes, created kudos and brand, liabilities rest with the company, directors have certain legal duties, account keeping is more expensive (ca. £ 1,500 p.a.), more difficult to raise mortgages initially

Tax Considerations

- Consult a tax professional
- Income from the property in individual, joint or company name
- What is considered as 'income'?
- What is allowed to be deducted as 'expenses'
- When and how to submit your tax returns
- Types of taxes e.g. income tax, corporate tax, property tax, stamp duty, capital gains tax etc.
- Impact of taxes on your yield and RoI

Tax (Example UK)

- Stamp Duty on total amount (not staggered):
 - $\leq 125k$ 0% $\leq 250k$ 1% $\leq 500k$ 3%
 - $\leq 1m$ 4% $\leq 2m$ 5% $> 2m$ 7%
- Income Tax
 - For Residential: Rent less allowable expenses, i.e. legal fees, service cost (e.g. cleaning, gardening), advertising, mgmt agent fees, insurance, repairs, maintenance, finance charges, interest on loan
 - For Furnished Lettings (e.g. HMO): as above, and 10% of rents receivable and 10% wear 'n tear on furniture
 - For Ltd. Co.: 20% on net income
Additional allowable expenses: travel/flights, milage, education, mentorship, phone calls, stationary, research