

ASK THE EXPERTS

Holiday-let and buying out partners

Q HOLIDAY-LET PROPERTY
 I am a full-time GP who retired for 24 hours in May to take my NHS pension and lump sum. I plan to retire fully in 2013. I wish to invest these benefits in a holiday-let property. Ideally the house will be in my wife's name as she has only £10,000 income a year. Some of the purchase cost will be paid by taking out a mortgage. The bank will allow the home to be in her name if my name is on the mortgage as well.

I do not know what will be the most tax efficient arrangement for the next four years or until the mortgage is paid off. Also, the tax relief allowances for holiday lets are changing in April 2010.

Can mortgage interest plus improvements, repairs and furnishing costs be offset against the income from the holidays? Which of us should own the property? Should we set up a company to run the property from April 2010? I can only give you generic advice so ask your own accountant for specific guidance. The benefit of a rental property being treated as a UK holiday let is that, if you make a loss on the property, this can be offset against other earnings to reduce the tax payable.

However this will not be possible from 6 April 2010. If you are likely to make a profit from holiday lets, as your wife is a basic rate tax payer it is preferable for the property to be in her name as she would pay 20 per cent tax as opposed to the 40 per cent you would pay.

If you incur expenses in running the property you will be

THE EXPERTS

Email questions or phone our experts...



NHS RULES

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INVESTMENT PLANNING

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PARTNERSHIP

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LEGAL

Lynne Abbess is a partner at solicitors Hempsons and offers legal outline advice to GPs in England and Wales.
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PREMISES

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PENSIONS AND FINANCE

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ACCOUNTANCY AND TAXATION

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PRACTICE-BASED COMMISSIONING

Maggie Marum is a management consultant for the NAPC and runs its practice-based commissioning helpline.
 Phone: (020) 7636 8626. www.napc.co.uk

able to offset these against the rental income.

Typical expenses are letting agents' fees, mortgage interest, buildings/contents insurance, accountancy fees, maintenance and repairs improvements and servicing costs cannot be offset against the income.

Also you cannot claim for capital costs such as property improvements. If you buy furniture and equipment you can claim a wear and tear allowance each year of 10 per cent of the net income or you can either claim capital allowances (for depreciation).

You need specific advice about setting up a limited company, but I suspect doing this would not be advantageous taxwise. For more about tax on property/rental income, go to the tax and benefits section at www.direct.gov.uk
 Jenny Stone

signatories, and therefore liable, regardless of their property-owning status. We receive notional rent on our property.

Is the bank correct? Should the new GPs contribute to the interest payments on the loans or the mortgage interest payments?

The way in which the lender is approaching this is fundamentally wrong. It has made the mistake of treating the additional funding as a partnership loan.

In fact it should be treated as a property loan, secured against the title to the property and signed only by the remaining owners.

If there is any suggestion that non-owning partners are treated as being liable for the repayment of a loan in respect of the premises it opens the door to them claiming to have an interest in the property.

Anything to do with the property should be shown separately in the partnership accounts.
 Lynne Abbess

Q BUYING OUT PARTNERS
 Two of my partners with shares in our practice premises have retired leaving three partners with premises shares plus two new partners who will not be buying in for at least a year.

Meanwhile the remaining property-owning partners are taking out interest-only loans to buy out the retired GPs, but the lender insists that, as these loans are to the partnership, all the current partners should be

PLEASE NOTE

Please ask for 'GP Ask the Experts'. You may be asked to book a full consultation if your request is time-consuming or difficult. Our specialists retain the right to refuse advice. The information in the Ask the Experts list is for information purposes only. The expert advice is intended to provide general guidance only. It should not be relied upon by readers, who should seek further professional advice. No legal responsibility can be accepted by GP for the experts' answers.



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