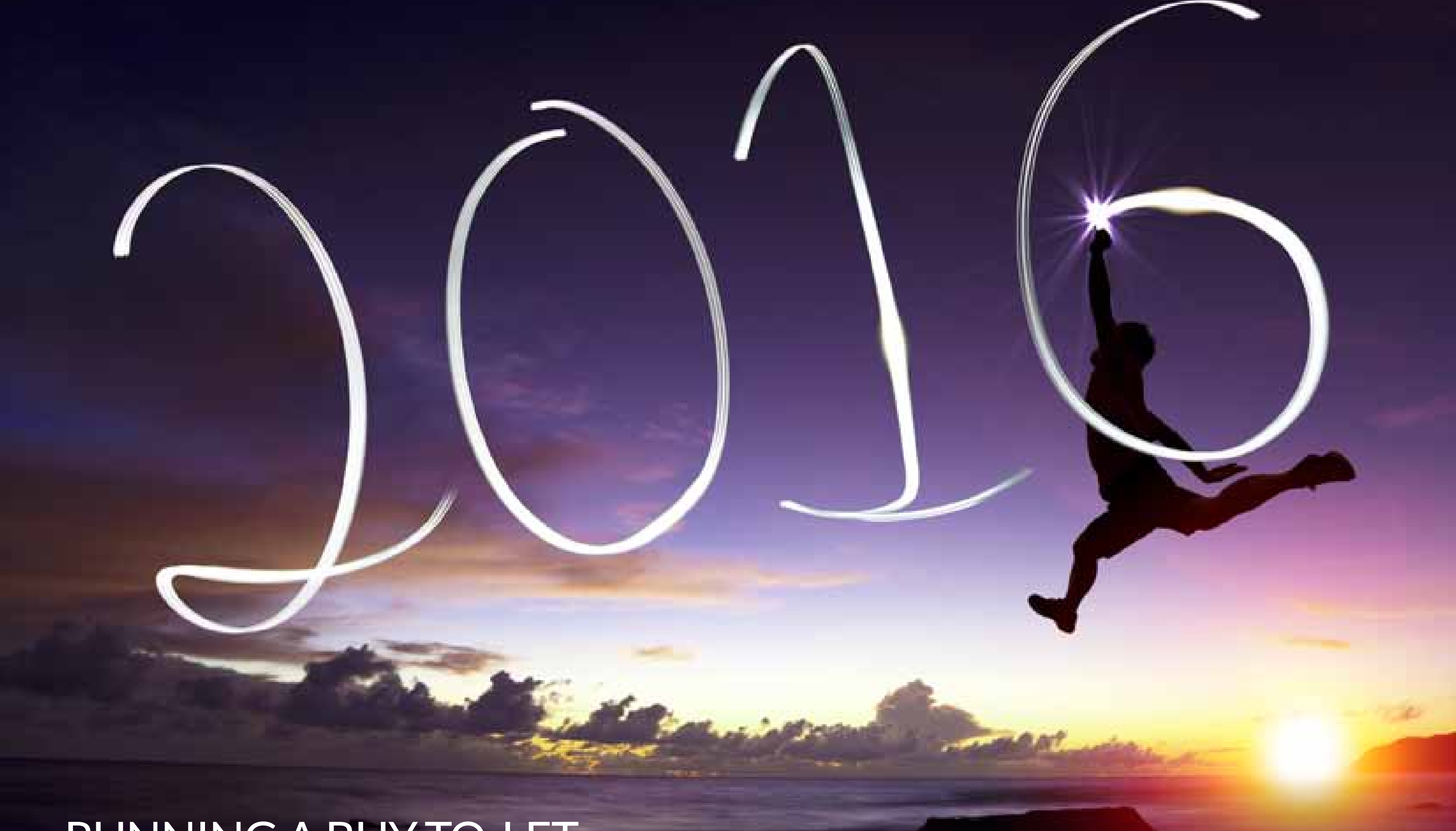
ISSUE 5 ■ WINTER 2016

TALKINGMONEY

From Dental & Medical Financial Services and Lansdell & Rose Chartered Accountants

HOW TO **INVEST** YOUR MONEY IN



RUNNING A BUY-TO-LET PROPERTY THROUGH A **LIMITED COMPANY**

Considerations for property investors

INCORPORATION IS GOING NOWHERE

How things stand with tax planning

dental & medical
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Inside this issue

Welcome to the Winter 2015/16 magazine from Dental & Medical Financial Services and Lansdell & Rose medical and dental accountants.

Our two specialist companies have joined together again to provide you with an integrated outlook on a selection of topical financial, investment and tax issues relevant to most dental and medical professionals.

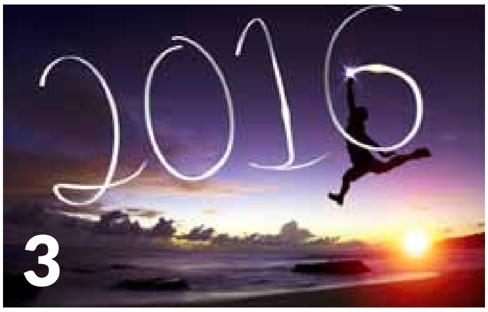
Have you set your 2016 New Year's resolutions? With "health" and "wealth" two of the most popular topics according to polls, it is likely that somehow you would like to make more money, build more wealth and save more tax in the coming 12 months.

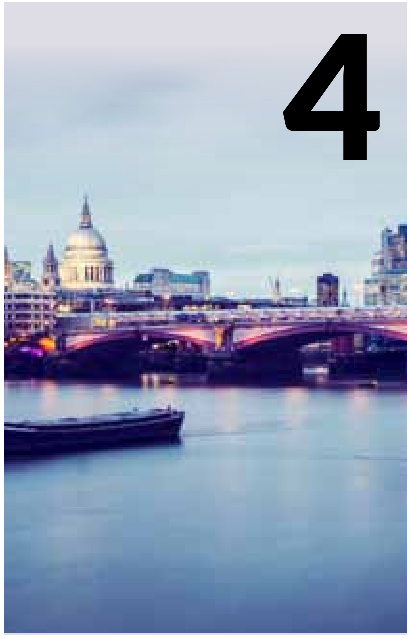
Have you thought about how best to invest any surplus cash this year? Has the recent news about buy-to-let investment left you feeling confused about the next steps? Does the next year fill you with financial fear, or excitement?

Michael Lansdell, tax expert, looks at the consequences of the cuts in tax relief for landlords and how effective it would be to transfer your rental properties into a limited company structure to avoid these caps. Michael also looks at whether incorporation benefits are dry in the water now, or if there are still rewards to be reaped.

Darren Scott-Guinness, Independent Financial Adviser, suggests some investment options for 2016, depending on if you are pro-risk or adverse-risk. Darren also maps out the economic and financial landscape for the coming year in terms of what is expected and what is on offer.

Darren Scott-Guinness
Dental & Medical Financial Services





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We hope you enjoy reading our magazine. To discuss your financial planning requirements or to obtain further information, please contact us.

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RUNNING A BUY-TO-LET PROPERTY THROUGH A **LIMITED COMPANY**

Considerations for property investors

The news in last year's Budget that the tax relief on buy-to-let mortgage interest was to be capped at the basic rate (currently 20%), starting on a tapered system from 2017, has sent landlords into a spin as to what is best to do.

At Lansdell & Rose, our specialist tax advisors have been focused on discussing with our clients the most tax-efficient route for buy-to-let property owners.

For anyone who just pays tax at the basic rate, then your tax position will be unaffected, although take care that the extra profits don't push you over the threshold for higher-rate tax.

For everyone else, who would typically claim tax relief on mortgage interest payments at 40% or 45%, there are a number of options that can be considered here.

(1) The first option is to suck up the reduced tax relief, accept that the annual buy-to-let profits will be less, and focus instead on building the wealth equity in the property for a future sale and lump sum reward.

(2) The second option would be to sell up and focus your investments elsewhere. Whilst this is in fact an option landlords are considering, many property investors relate to investing in bricks and mortar, and will indeed be trying to find a better work-around than putting up the "for sale" sign.

(3) Another option would be to transfer your property or properties into a limited company structure, as companies are not to be affected by the new legislation. Companies are in fact subject to just 20% corporation tax, and it is due to be reduced to 18% by 2020.

Take care for CGT and Stamp Duty costs

However, it isn't quite a straightforward win-win for the landlord. Should the property have increased in value since the individual/s acquired it, there will be a Capital Gains Tax (CGT) charge of up to 28% on any gain made. In addition, Stamp Duty would apply on the transfer for the company, as if it were a purchase.

So whilst transferring property assets into a company is an option to avoid the tax relief reduction, it could well be a very expensive option in other ways.

Another factor for consideration: the administration of a rental property for an individual is relatively pain-free, the only requirement being to provide basic information for self-assessment. Any limited company is required to file annual accounts and an annual return, which is not only additional admin but added costs in accountant's bills too – all of which needs to be taken into account.

How to draw rental profits from a company

Drawing dividends from a limited company too will cause tax implications from April 2016 when even basic-rate taxpayers will be subject to 7.5% tax, and 32.5% and 38.1% for higher rate and top rate taxpayers, respectively. There will be a £5,000 tax-free band introduced from April too, but this is likely to not go a long way with regards to profit extraction.

Therefore, holding property within a company may only be suitable if you don't need to access your cash on a regular basis. Some investors who have a sufficient income stream from other sources may just choose to build up funds in a "buy-to-let limited company" as a pension pot – it's an option.

In summary, there are many considerations to factor before deciding to move your property or properties into a limited company structure. Realistically, given all the costs and the hassle, it is likely to suit only those with a larger property portfolio, i.e. not just one or two buy-to-lets.

With complex planning of this nature though, it pays to speak to a professional – someone who understands the ins and outs of the tax legislation and can provide bespoke advice based on your circumstances.

Lansdell & Rose can help – contact Michael or Mark to discuss your options regarding buy-to-let investments, or visit our website www.lansdellrose.co.uk for more details. Tel: 020 7376 9333.

HOW TO INVEST YOUR MONEY IN **2016**

A look at innovative investment ideas

It may be that recently you have managed to clear down your mortgage, maybe you have inherited some extra money, or perhaps you are just feeling more pro-risk as you get closer to retirement.

Either way, any surplus cash each month, after clearing regular debts such as loans and credit cards, should be invested wisely.

With an ever-changing financial landscape, it isn't easy to stay on top of the latest investment options, and these are generally testing times for investors – finding the right combination of assets to provide a decent return over the coming year is a challenge.

At Dental & Medical Financial Services, we continually research the market to ensure you have the best guidance on how to best invest.

With interest rates set to remain low for potentially longer than expected, sluggish growth in investment portfolios is a possibility for the next year.

Globally, many of the big investment sectors and asset classes are looking unattractive right now, and whilst this doesn't mean they won't pick up in 2016, diversification of investments will be key in the coming months.

'The key to success over the coming 12 months will be choosing your investments with real care'
Nick Samouilhan, Aviva Investors

Did you know?

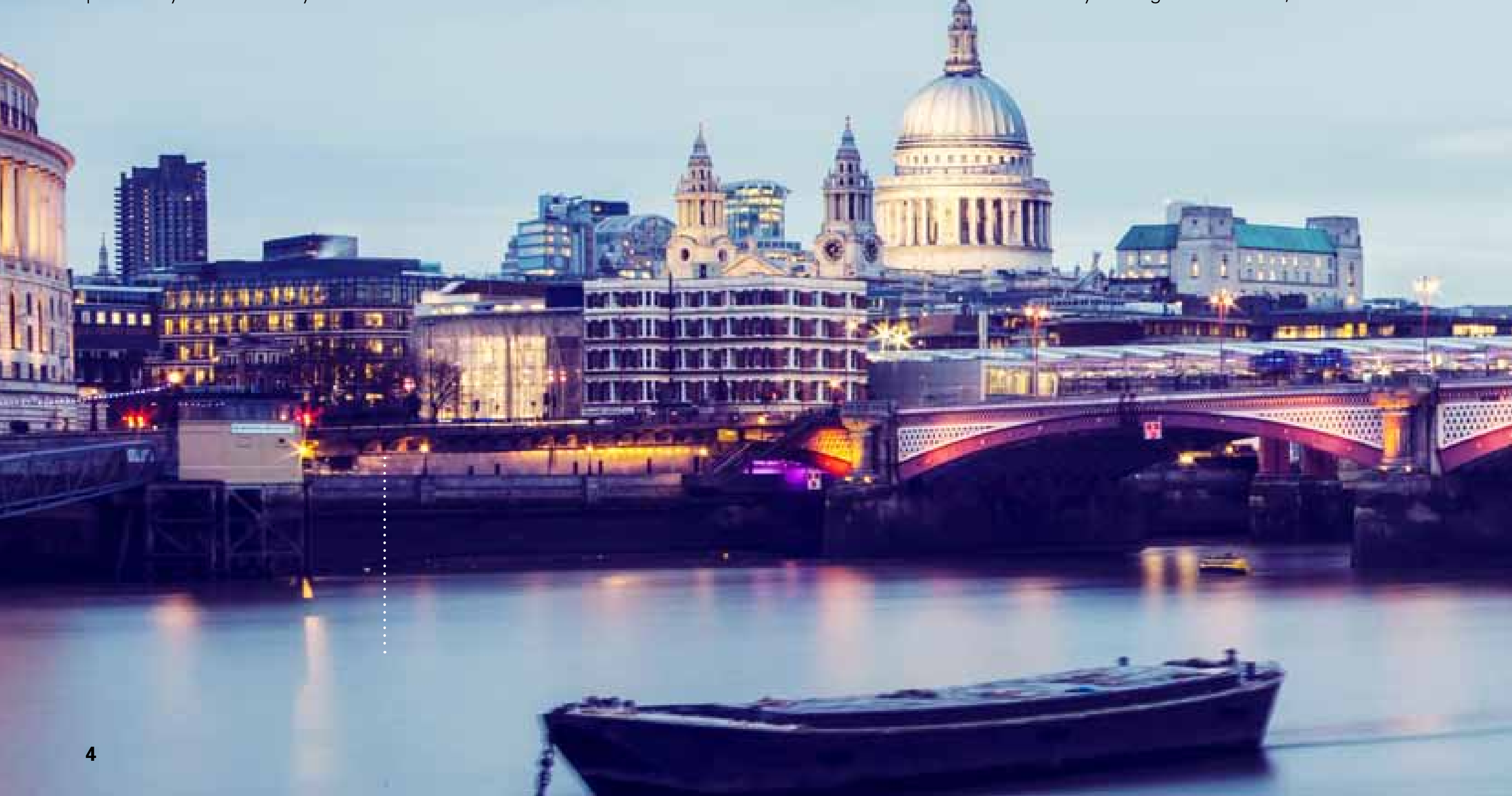
At Dental & Medical Financial Services we continually research the market to ensure you have the best guidance on your investments.

Global equities are still a key consideration for investors. However, industry experts do have some concerns about the future of this market, and so are generally coupling these investments with other asset classes such as commercial property, fixed interest, corporate bonds and absolute return funds.

There are significant pros and cons with each investment, so a balanced exposure is considered sensible to avoid excess risk.

Fixed interest investments are somewhat an expensive choice and could come under pressure if interest rates rise considerably. Some investors using fixed-interest investments as a means of portfolio protection could find the adverse effect if anything unusual or unpredicted happens with the interest rate.

Then there are emerging markets, which some more pro-risk investors are opting for as a longer-term investment, despite the expectation that they are likely to fall further before they rise again. However, some



are proving a bargain buy right now – it all depends on your expectations, your appetite for risk and the length of time in which you need a return.

Buy-to-let property investments

Buy-to-let has been given a proverbial punch in the face lately with several changes in legislation.

Firstly, the increase in Stamp Duty Land Tax (SDLT) from April 2016 that will add significant costs to a property investment transaction. Then there is the reduced tax relief on mortgage interest, which could further deter potential landlords from investing their money in rental property.

Of course, there will still be those who find an opportunity to invest in property and have to suck up the extra costs in the hope that their return will eventually pay off.

If property investment is on your agenda for 2016, then act before 1 April to avoid the extra SDLT.

Or consider commercial property investment, and global real estate is also getting noticed too.

Low risk ISAs, JISAs and pensions

ISAs and JISAs continue to be an essential part of investment planning, although returns are low due to the low interest rates. They are a tax-efficient way to keep money for a rainy day.

Most doctors and dentists will utilise their ISA allowance, and many contribute to a JISA for their children's future too.

Investing into a Self-Invested Pension Plan (SIPP) is also still very much part of retirement planning, and it isn't uncommon for people to invest excess cash into a pension fund to see their retirement pot grow faster and larger.

Bespoke investment planning

As with most things financial, bespoke advice is of the highest value. A financial adviser can take into account yours and your family's specific circumstances and make an investment work towards your combined short and long-term goals.

Maybe your child is going to university, and investing in a student house could be profitable. Or, maybe another child is struggling to get onto the property ladder, so you can act as an official "bank of mum and dad" by earning interest for your input, at a higher rate than an ISA or investment.

Sometimes there is a win-win to uncover!

Points to remember when investing:

• Do you need to be able to access the original funds in the short, medium and long term?

• How quickly do you need a return on any investment?

• How tax-efficient can we be with the suggested investment?

• How prepared you are to take risks (your risk tolerance)

• How sensitive you are to fluctuations in investment values (your capacity for loss)

Dental & Medical Financial Sevrices can help – call Darren to discuss your 2016 investments and get started today in building your wealth. www.dentalandmedical.com for more details.

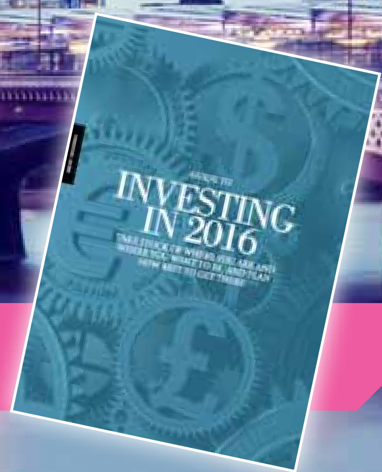
Tel: 01403 780770

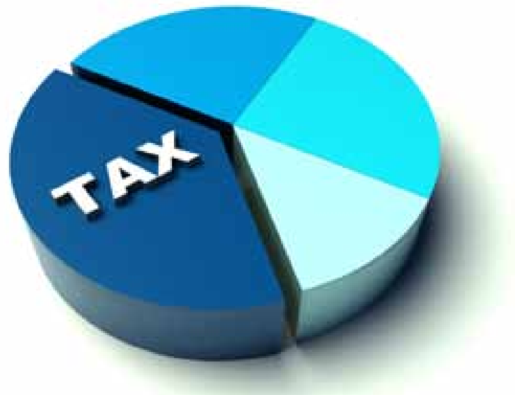
What our clients think

"I am a cynic when it comes to investment advisers after having a bad experience with all of them. However, Darren has proven to be an exception. He has actually managed help grow my SIPP beyond my expectations. He is very knowledgeable and has been exceptionally good at offering financial advice on all fronts."

Murali Bhat, Consultant Orthopaedic Surgeon at East Surrey Hospital

Download our FREE guide - A Guide to Investing in 2016
http://www.dentalandmedical.com/downloads/invest15_singles.pdf





INCORPORATION IS GOING NOWHERE

How things stand with tax planning

Recently, it appears that limited companies have taken a bit of a hit in terms of tax benefits.

Certainly, gone are the incorporation heydays, which started in 2006 when legislation allowed healthcare professionals to trade as a limited company, offering significant tax perks, low income tax rates and a tax-efficient means to extract profit in the form of dividends.

Lansdell & Rose, as specialist tax advisers to doctors and dentists for over 20 years, have seen all peaks and troughs of the incorporation "wave", and we don't think it's time to despair yet.

For those who are already incorporated, it is likely that you will still be reaping savings compared to paying tax under self-assessment. For those who were planning to incorporate in the future, you may have missed the boat with some of the tax benefits. However, ongoing tax savings may still be available, depending on your circumstances – timing will be the key.

A hefty CGT bill and no director's loan

The amendments to Capital Gains Tax (CGT) legislation in December 2014 means that when transferring a business from an individual or partnership to a limited company, the "sale" of the goodwill is effectively no longer as attractive.

There is now a 28% CGT implication, compared to 10% when able to utilise the Entrepreneurs Relief. To this extent, often the goodwill is transferred at a value as close to zero as possible to avoid a hefty CGT bill for the business owner. Again, though, it depends on the size of your practice and your long-term goals.

As a second incentive on a business transfer, the company could use a "director's loan" to purchase the goodwill from the sole trader or partnership, effectively creating a fund for the new director/s to draw from, tax-free. This also is a benefit that was washed away with the recent changes.

Increase in dividend tax

The most recent news, feeling to many like another attack on limited companies, is the change to dividend tax rates.

From April 2016, the tax credit will be removed, and even basic-rate taxpayers will have to fork out 7.5% on all dividends drawn after a new £5,000 tax-free amount. It affects higher-rate and top-rate taxpayers too, whose rates have increased to 32.5% and 38.1%; basically an additional 7.5% all round. Although to those whose pockets will be affected this seems like a drastic measure, it is really just making the prospect of incorporation less attractive – it is still attractive.

The remaining benefits of incorporation

On the plus side, corporation tax remains at the low rate of 20%, and forecasts predict by 2020 it will be 18%.

Incorporating your business means that you have a "limited" liability should problems arise, which gives you some peace of mind when trading in this manner, as your personal assets are protected.

Many professionals, in fact, will only do business with limited companies, so this can help when negotiating credit terms with suppliers. Similarly, whilst it isn't guaranteed, the fact that your company is a separate entity can help when trying to raise business finance.

Additionally there continues to be a National Insurance (NI) saving as self-employed professionals are subject to pay NI. Taking a small salary from the company, below the NI threshold, can eliminate NI.

Finally, opportunities are more prevalent in a limited company structure to employ a non-earning spouse as a shareholder, who can take a salary up to their personal allowance threshold. From April 2016, they can also take a £5,000 dividend, tax-free – although advice is required here to ensure you are compliant.

Is incorporation still viable for you?

As the decision to incorporate is less clear cut that it once was, it is essential to take advice around the timing of such a key business decision.

Incorporation itself will incur some costs, but the ongoing maintenance of the limited company also needs to be taken into account, as does NHS pension schemes and UDA contract rates for dentists.

A professional tax adviser will look at the following:

1) Your current personal and business situation
2) Your future business development plans
3) Your personal lifestyle, including income requirements

Lansdell & Rose can help – contact Michael or Mark to discuss your questions regarding limited companies, or visit our website www.lansdellrose.co.uk for more details. Tel: 020 7376 9333.

THE 2016 **FINANCIAL LANDSCAPE**

How is the year ahead looking?

As we wave goodbye to 2015 and welcome the New Year, what are the general thoughts about how the next 12 months will pan out if we were to fast forward one year?

Forecasts suggest that the UK is more or less out of murky waters, and the next few years will see sustained financial health and a GDP of broadly 2.5%.

Whilst this is deemed as positive news for UK businesses, in a recent poll by YouGov, only just over half of small business owners (56%) are expecting business growth in 2016. Approximately one third of the poll recipients expect a maximum of 5% growth, and 23% expect less than 10%.

So it appears that small business owners, which would include most dental and medical practice owners, are approaching the new year with an element of hesitancy, and certainly not taking anything for granted after the years of having an uphill battle on their hands.

The key for 2016 will be to make your money work for you.

Business growth is likely to come to those who are organised, forward thinking and digital in their approach. It is impossible to path a strong road forward without taking time to look back at the past months, assessing what has worked and what has not. Electronic software to record income and expenses is essential for up-to-date reporting and making those all-important business decisions that will encourage profit.

Sensible personal cost management will also be essential this year. In the UK, consumer spending is already beginning to spiral upwards, with a renewed access to credit, low inflation causing an income surplus and a population who feel they have had their purse strings tied for a number of years. Keeping a close eye on your costs will help to ensure your money is prioritised. It is likely that if you have lived without the brand new car for the last five years, a bit longer won't hurt.

Wise investment choices will also be vital if you are to build your wealth in the coming year. There are always new financial products entering the market, creating opportunities for all types of investor. However, with low interest rates and several crumbling global economies, the options are narrowing in some cases.

Work with a financial adviser who will help assess your attitude to risk and research suitable investments to meet your budget and expectations.

With the opening up of the pension model in 2015, many pensioners over age 55 are now having more choice than ever before. This creates a rustle of activity in the marketplace and encourages further pension and investment products geared towards this segment of the market. More of this is expected in 2016.

Whilst the new Stamp Duty Land Tax on second homes will have been a disappointment to some who would have been planning in 2016 to use their pension to reinvest into property, there are other options available to the open-minded investor.

All in all, the financial landscape for 2016 is looking bright.

With investment opportunities available, a flow of money in the economy and a population who want to build their wealth, all that is needed is for it to be pulled together.

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LANSDELL & ROSE
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PAY YOUR SELF ASSESSMENT TAX BILL

The deadlines for paying your tax bill are:

- 31 January - for any tax you owe for the previous tax year (known as a balancing payment) and your first payment on account
- 31 July for your second payment on account

Ways to pay
Make sure you pay HM Revenue and Customs (HMRC) by the deadline. You'll be charged interest and may have to pay a penalty if your payment is late.

The time you need to allow depends on how you pay.

Same or next day
- online or telephone banking (Faster Payments)
- CHAPS
- by debit or credit card online
- at your bank or building society
- at the Post Office

3 working days
- Bacs
- Direct Debit (if you've set one up with HMRC before)
- by cheque through the post

5 working days
Direct Debit (if you haven't set one up with HMRC before)

IMPORTANT DATES

31-Jan – Final date to file self-assessment tax return

31-Jan – Date to pay tax liability + first payment on account

16-Mar – The Budget

06-Apr – Start of the new tax year (16/17)

06-Apr – New Stamp Duty Land Tax to be applied to second homes

31-Jul – Date to pay second payment on account

31-Oct – Final date to submit a paper tax return

CHRIS'S MONTHLY MORTGAGE UPDATE

Type	Years	%
Fixed Rate	2	1.49%
Fixed Rate	3	1.89%
Fixed Rate	5	2.29%
Fixed Rate	10	3.04%
Offset Products: Fixed Smaller Deposit – 90%	2	1.74%
Purchase/Remortgage Smaller Deposit – 85%	2	2.24%
Purchase/Remortgage Buy-to-let - Deposit 75%	2	1.79%
Purchase/Remortgage	2	2.19%

The average lender's Standard Variable Rate is now 4.49% (BOE 31 December 2015)

Have you considered a **remortgage?**

This does not constitute advice, and advice should be sought in all instances before acting on it. Your property may be at risk should you be unable to maintain any agreed mortgage payments over the term agreed.