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020 8582 0076

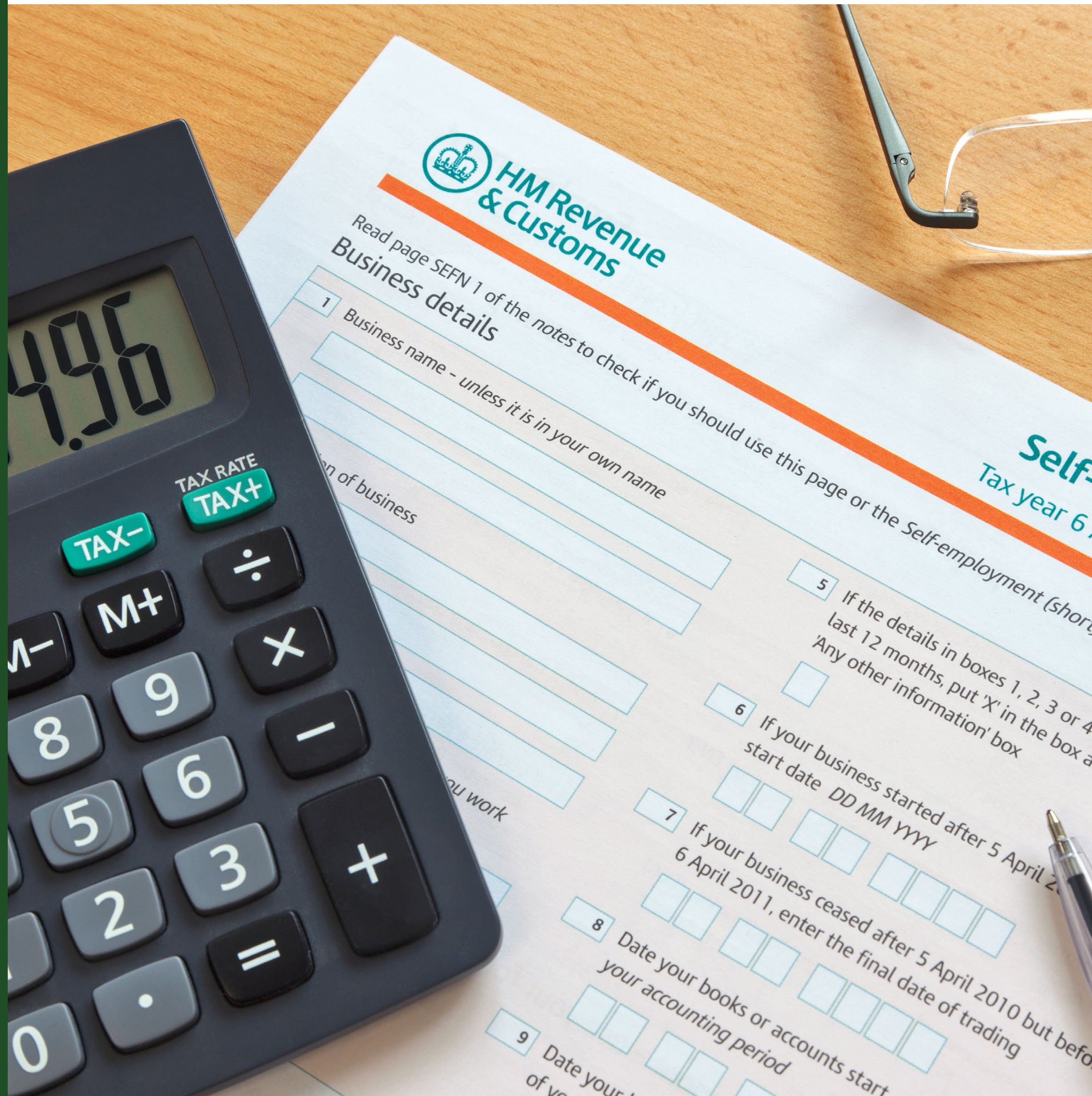
www.pearlaccountants.com

Self-Assessment Guide 05 - 18

How to start a limited company 19- 35

Bookkeeping guide 37 - 44

A guide to being a Landlord 45 - 58



Self-Assessment Guide

How to do your Self-Assessment

If you're a freelancer, contractor, or a company director, you're probably running your business because you found something you love doing, or maybe something you're just really good at.

What you're probably not so good at (and it certainly won't be something you love doing) is getting to the end of the tax year and having to work out how much money you owe HMRC.

We're talking about the dreaded Self-Assessment Tax Return.

If you've been running your business for a few years, you'll be familiar with all the records you need to keep, such as invoices, expenses, and bank statements.

But if you're new, this guide was written just for you. We'll make sure you know exactly what information you need, what to do with it, and the dates you need to do everything by.

Contents

Registering for Self-Assessment

The first step

If for any reason you need to start filing a Self-Assessment Tax Return, HRMC will not automatically know about it.

You will need to tell them yourself by registering for Self-Assessment, either by completing the SA1 form and sending it by post to your local tax office, or giving the same information online or by phone.

Whichever way you register, you'll need both your National Insurance Number and details of you and your business.

Who needs to complete a Self-Assessment?

Anybody who receives an income where tax isn't automatically calculated and paid (such as a salary, which is subject to PAYE) will need to complete a Self-Assessment Tax Return.

That means you will need to complete a Self-Assessment if you are a freelancer/sole trader because when you send an invoice to a client, they will pay you the total of the invoice, and not pay tax on it.

It's your job to inform HMRC of this income so they can calculate how much Income Tax and National Insurance you'll need to pay on this.

You may also need to complete a Self-Assessment if you are the director of a company, or if you receive other incomes such as dividends, rent, and/or income from abroad etc.

After you've registered

After you register for Self-Assessment **you will receive a Unique Taxpayer Reference number (UTR number)**. As the name suggests, this ten-digit number is unique to you, and is used by HMRC to identify you when you submit your Self-Assessment Tax Return – you will need your UTR number to complete all of your Self-Assessments, so make sure you make a note of it.

You will only have one UTR, so you will not need to get a new one if you have previously registered for Self-Assessment.

How often do you need to register?

In most cases you will only need to register for Self-Assessment once, using the same UTR number to submit tax returns each year.

If you inform HMRC you no longer need to submit a Self-Assessment tax return – maybe you have returned to full-time employment, and so are no longer running a business, etc. – but later on end up needing to submit tax returns, you will need to re-register with HMRC.

Deadlines

Working out when you need to do everything can be confusing, but with penalties for not doing it all by the deadline, it is well worth taking the time to plan ahead.

Example:

If you started your business in May 2014, you would need to submit a Self-Assessment for that tax year, which would be 6th April 2014 to 5th April 2015.

However – and this is where it can get confusing – you don't need to register or pay tax straight away.

In our May 2014 example, you would have until October 5th 2015 to register, but then you will have until January 31st 2016 to submit your return and pay any taxes owed.

Of course, it is always best to do it as early as possible so you won't even have to worry about paying any penalties for submitting late, which can quickly build up the longer you leave it past the deadline.

If you want even less worry about submitting Self-Assessment Tax Returns, get in touch for a free consultation – we provide personal tax assistance as part of our comprehensive accounting service.

Record keeping

We know you didn't start freelancing or directing a company to spend your time with financial records – unless you're an accountant of course, in which case you won't need to read this guide.

But as boring as it can be, spending time keeping proper financial records during the year will be worth it when it comes to submitting your Self-Assessment – you'll have all the right paperwork (or digital files) at hand and know exactly where to find each piece of information when you need it.

Which financial records do you need to keep?

There are various financial records you will need to keep, but the particular ones you need depend on the complexities of your finances, so they will not all be applicable to you.

Here are a few of the more common ones you're likely come across depending on your situation:

Capital gains: You'll need details of profits made by selling assets.

Dividends: You will need all the vouchers for dividends issued in the relevant tax year if you are the director of your own limited company and pay yourself dividends.

Foreign income: You'll need to keep details of any money you receive from overseas.

Gift Aid: Keep details on any Gift Aid claimed on money you give to charity.

Interest: You'll need to get relevant statements from providers of credit cards and loans, etc. so you have information on interest.

P11D: If you're the director of a company and/or have employees earning more than the threshold, you'll need to fill a P11D form with details of any expenses or benefits claimed by them.

Partnership income: You'll need to keep records of any income you receive through a partnership.

Payment on account: Keep records of payments made towards last year's tax bill as this will count against the current year's income.

Pension contributions: Keep records of any payments you make into a pension scheme.

Redundancy payments or Jobseeker's Allowance: You may need to inform HMRC if you left a full-time job or claimed Jobseeker's Allowance (JSA) in the last tax year.

Rental income: If you receive rent from any properties you own, you'll need to keep records of all the income from the previous year. This will be even easier if you use a separate bank account just for rental income.

Self-employment income: As a freelancer/sole trader, you'll need to keep invoices and records of business-related expenses.

Making it less complicated

As you can see, if your financial situation is particularly complex, it can be confusing trying to work out exactly what you need.

Get in touch for a free consultation and let us see how we can help you make it easier.

A personal tax service is included in our comprehensive accounting packages, as well as:

- Bookkeeping
- Business and tax advice
- Company formations
- Payroll
- Registered address and mail forwarding
- And more...

Deadlines

You have probably heard it countless times before that **you should submit your Self-Assessment as early as possible**, because it's true.

If you leave it as late as possible, you certainly won't be the only one – the deadline for online submissions (31st January) is the busiest day each year for Self-Assessment tax returns. Of the 9.5 million Self-Assessments in the 2014/2015 tax year, nearly half a million submitted on the very last day.

Despite all of this last minute rush, there were still **850,000 Self-Assessments submitted late**.

That's why in the previous chapter we gave you a list of some of the more common bits of paperwork you'll need, to make it easy to complete your Self-Assessment - and if you do end up doing it last minute you won't be surprised by any documents you can't locate.

Submitting your Self-Assessment as early as possible

The very earliest you can complete and submit your Self-Assessment is on the first day of the new tax year, which happens to be 6th April.

However you can only complete it when you have all the relevant and required forms, so depending on how quickly your accountant can get them to you, the earliest date to complete your Self-Assessment could be after a few weeks or months.

Advantages of submitting your Self-Assessment early

Apart from a smug feeling as you watch everyone panic last-minute knowing you filed months ago, what are the advantages of submitting a Self-Assessment early?

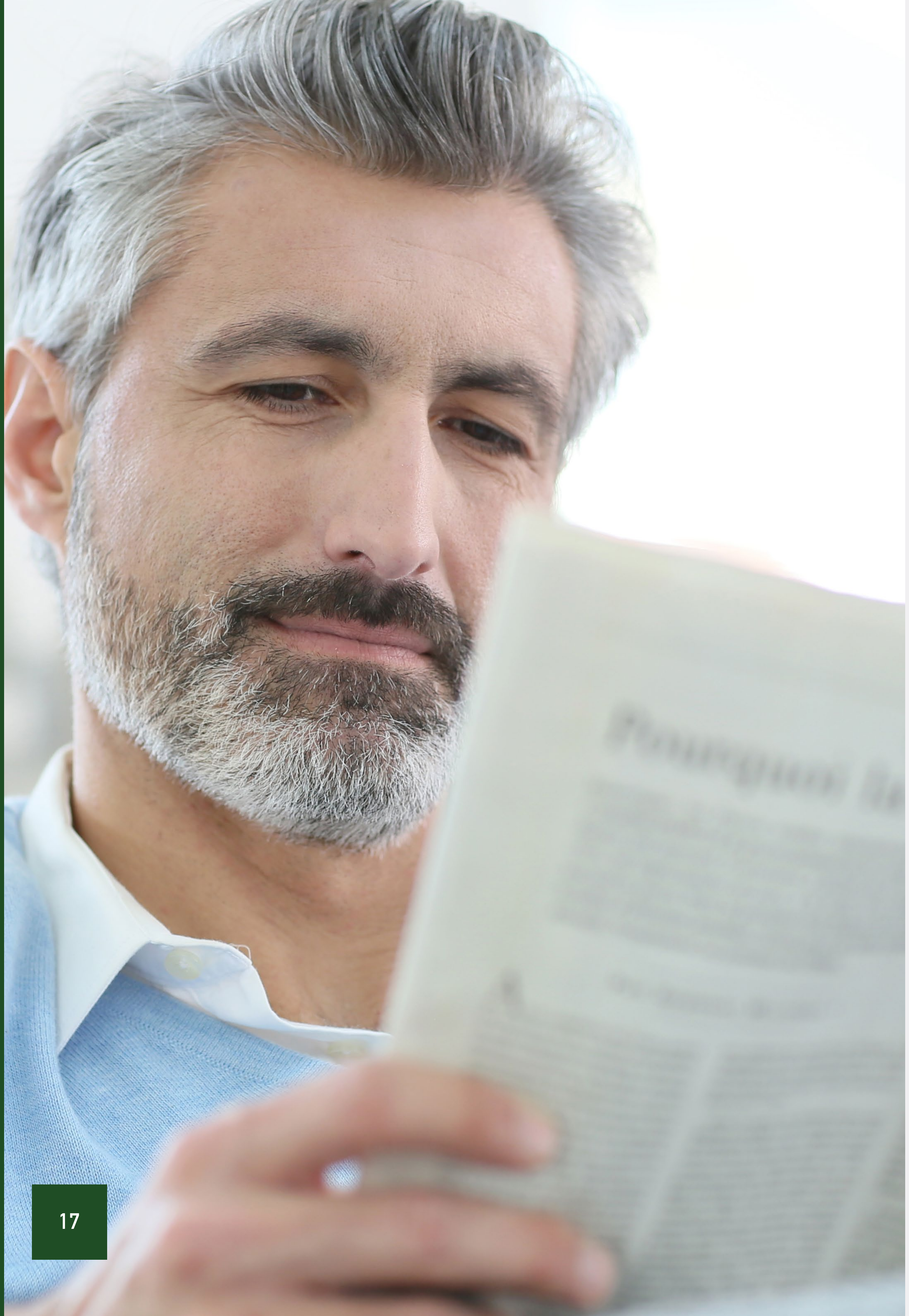
Submitting early makes financial planning that bit easier. The earlier you know how much tax you owe, the easier it will be to budget.

You can make sure you have the money ready to pay by the deadline of 31st January, rather than finding out too late that you have to pay thousands of pounds that you've already spent on other things.

Also, if you pay too much tax, the earlier you submitted your Self-Assessment, the earlier HMRC will refund you – they'll get to you before those who submitted last minute.

Getting help with your Self-Assessment

Get in touch for a free consultation and we can talk to you about your business and how our comprehensive accounting service can help.



Don’t miss the deadline

If our talk about the benefits of filing your Self-Assessment tax return as early as possible has failed to convince you, why don’t we go over what happens if you submit after the 31st January deadline?

Why do people submit their Self-Assessment late?

There are a few reasons you might miss the deadline to submit a Self-Assessment.

It could be that you don’t have the relevant paperwork – you might have lost a particular bank statement or tax form, and not be able to find it until after the deadline.

Another likely reason could be – and maybe this is unlikely since you’re reading our guide – that you completely forget about it until the last minute, and realise you haven’t even applied for a UTR number.

Fines for missing the 31st January deadline

Whichever reason for missing the deadline applies to you, you’ll immediately be issued with a £100 fine – and that’s just the beginning.

After this penalty, you’ll have three months to file your Self-Assessment.

If you don’t complete it within these three months, you’ll then be fined £10 per day for up to 90 days.

And there’s more: if, after these extra 90 days, you still haven’t filed your Self-Assessment, you’ll be fined an extra £300 or 5% of the tax you owe, whichever is larger.

This same fine will be added again after a year of not submitting your Self-Assessment, so you face a minimum fine of £1600.

Additional fines

HMRC also have the ability to fine people an additional fine of up to 100% of their tax liabilities if they think they are intentionally withholding information or hiding how much tax they truly owe.

Filing your Self-Assessment accurately and on time means this won’t even be a possibility.

Making money for HMRC

In January 2014, 700,000 or so people missed the deadline, earning HMRC £85 million overnight.

HMRC say that the fines are in place purely to dissuade people from submitting their Self-Assessments late rather than as a way to make some easy money.

However, whether or not you believe them is irrelevant. All that matters is that if you don’t file your Self-Assessment on or before the deadline, you’ll have to pay a fine.

How to start a limited company

How to start a limited company

Working as a freelancer, contractor, or small business owner can be incredibly rewarding, but starting a limited company also has plenty of benefits.

This guide, written by our experienced chartered accountants, will give you all the advice you need to start and run a successful business.

We'll take you through everything you need to know, including:

- Starting a limited company
- Paying the right amount of tax by the deadlines
- How to calculate and pay salaries and dividends efficiently
- How to send invoices
- Expenses
- IR35 rules for contractors
- And more...

Contents

Starting the Limited Company

To start a limited company, the very first thing to do is register your business with Companies House and make yourself the director of your new business.

Company Formations

As part of our comprehensive accounting service, we can handle the whole Company Formation process, making it all simple and easy.

We'll give you all the great advice you need to get your business up and running as quickly as possible.

Here's exactly what we can do for you:

- Combined Register: A list of all the directors and other people involved in running the business.
- Certificate of Incorporation: The official confirmation of your company's formation.
- Articles of Association: This sets out the terms and conditions of how your company will be run.
- Share Certificate: Shows what shares are worth and how they are allocated.
- Memorandum of Association: This sets out how the company is run and owned.

What does the director of a limited company do?

When you work as a sole trader, you and the business you run are essentially the same thing.

A limited company, on the other hand, is its own, separate legal entity.

As the director, you'll be running the business within the parameters set out in the Articles of Association.

Shareholders

What's the difference between a shareholder and a director?

A shareholder (or multiple shareholders) owns the business, whereas a director actually runs the business.

It's possible to be both a director and a shareholder, which is exactly the case if you start your own business.

What do you need to do before running your business?

To ensure your business is run as smoothly as possible you'll need to:

- Have Articles of Association and a Shareholder Agreement.
- Choose the right shareholders and directors (both of these roles will most likely be taken by you if you're starting your own business).
- Decide on your registered address, which is where official correspondence from Companies House and HMRC is sent to, but can be a separate address from where you run the business – get in touch to ask about our Registered Address service.

Business bank accounts

Since a limited company is a separate legal entity from its director/s, you'll need to keep all personal accounts separate from the business's accounts.

A limited company has its own legal requirements, which are separate from the owners, and any profits and losses belong to the business.

This means you're legally required to have a company-owned bank account, even if you're the only director and shareholder.

However, this shouldn't be seen as a burden, since it makes it easier to record all transactions separately from your personal accounts.

Tax

If you worked as an employee, your tax would be automatically deducted from your salary in the form of PAYE, making it very simple for you.

However, a limited company has tax obligations that you'll need to become familiar with in order to run your business within the law, and not make yourself liable to pay penalties.

As chartered accountants with many years of experience, we can make tax easy for you and your limited company by doing all the hard work, and by helping you make some important decisions.

VAT

Value Added Tax (VAT) is a percentage (currently 20%) a company will have to pay on any goods or services they sell (funded by adding 20% to their prices) if their annual turnover exceeds the threshold.

If your limited company is set to make a lower turnover than this threshold, you won't need to pay VAT or even register for VAT.

VAT Flat Rate Scheme

The Flat Rate Scheme is one of a few different ways to pay VAT.

The Flat Rate Scheme was designed for small businesses with an annual turnover of £150,000 or less.

It's designed to be simpler than the other methods because instead of calculating VAT on each and every goods or service sold, you can pay a flat rate of VAT on your turnover as a whole.

Depending on your industry, it's often a lower rate than the standard VAT rate, but you can still charge your clients 20% VAT – however, you'll need to consider registering for the Flat Rate Scheme carefully, since if your clients aren't VAT registered, they won't have any way to offset this extra cost, so you could lose clients.

Get in touch, and we can take you through all the methods of paying tax, and help you decide on the one that works best for your business.

Corporation Tax

Corporation Tax is applied to your company's profits after your employees' salaries are paid, but before dividends are paid to shareholders.

As a limited company, you'll be required to pay tax on profits and submit a CT600 each year.

You'll need to register within 3 months of starting your business, though this is usually done as part of the company formation process.

When do you need to pay Corporation Tax?

Your limited company will need to pay Corporation Tax on or before 9 months and 1 day after the end of your accounting period, which is usually the same as your financial year.

Late payments

If Corporation Tax is paid late, your company is likely to be charged interest.

However, the opposite is also true – HMRC may pay your company interest if you make an early payment.

With us by your side, we'll make sure you never miss a deadline and don't incur any penalties.

Personal Tax

If you're currently running your business as a sole trader, you'll already be submitting and paying self-assessment tax returns.

This is no different if you are running a limited company – as a director, you'll need to pay tax on any income you receive in the form of dividends or salaries paid to you by the company.

When do you need to complete a self-assessment tax return?

First you'll need to register for self-assessment with HMRC to let them know you are receiving a personal income and need to pay tax on it – the easiest way to do this is by completing the relevant forms on HMRC's website.

Your self-assessment tax return must be submitted by October 31st after the end of the respective tax year if submitting by post, or by January 31st if submitting online.

Insurance

Unless you're exempt, your company will need various types of insurance, three of which are essential.

But far from being a burden, insurance can offer you and your business security.

Public Liability Insurance

If your company ever causes damage to somebody or their property, or even causes their death, Public Liability Insurance will cover you for any claims made against you.

This isn't compulsory, but it's still a good idea to have.

Employer's Liability Insurance

If you own over 50% of the company and are the only employee, you won't need Employer's Liability Insurance.

However, if your company employs at least one other person, Employer's Liability Insurance is compulsory. It will cover you against any claims an employee makes for injuries caused by the company.

Professional Indemnity

Professional Indemnity Insurance helps protect companies that provide professional services such as solicitors, accountants, or even architects.

It will cover you against any losses to clients based on any bad advice your company gives them.

Most companies providing a professional service require it to operate, either by law or as a requirement of trade membership, depending on the profession.

Tax Investigation Insurance

Tax Investigation Insurance isn't compulsory, but it will cover you against any potential tax investigation by HMRC, which can be expensive and time-consuming.

Invoicing

Once your company has done some work for its clients, you won't be paid automatically.

You will first need to write an invoice and send it to the client, showing how much they are required to pay for the services or goods provided.

Here are the legal guidelines you will need to follow in order to validate the invoice:

• It must include the name, address, and registration number of your business.
• It must include the name and address of your client.
• It must include the word invoice on it.
• It must include a description of the goods or services being provided.
• It must include when the goods or services were supplied if different from the invoice date.
• It's not compulsory, but you can include the payment terms and show how to make the payment.

If your company is VAT-registered:

• It must include sequential invoice numbers on any invoices you send.
• It must include an itemised breakdown, showing the rate of tax, the unit price before and after tax, the total VAT charged, and the total amount payable.

Expenses

What can you claim as expenses?

It's a common question, but one that doesn't have a universal answer since it depends on your personal situation and the type of business you run.

However there are still some general rules and guidelines you can follow.

How are you compensated?

You won't receive cash from HMRC for the expenses you claim for, but it is instead deducted from your total taxable revenue, so you'll pay less tax.

For example, if your company makes £20,000 in profits and you have business expenses of £2,000, you'll only pay Corporation Tax on £18,000 of your company's turnover – of course, it's not really this simple because you'll also have to account for things like VAT and salaries.

Expenses from before the company formation

You can also claim expenses on any money spent for business purposes before and during the formation of your limited company.

Business, not pleasure

Expenses can only be claimed for things that are used exclusively by the business.

If you buy something to be used by the business, such as a car, but you start to use it in your personal time, it's unlikely you'll be able to claim it as a business expense.

Salary and Dividends

As a sole trader, all of your profits automatically belong to you.

However, the profits of a limited company belong to the business itself.

How does your limited company pay you?

Your business will pay you a salary if you're an employee/director, or pay you dividends if you're an owner/shareholder.

Since you're both an owner and an employee of your limited company, you can split payments between a salary and dividends for the most tax-efficient income.

Dividends

After a business makes a profit, and after 20% Corporation Tax is deducted, the profits can be withdrawn by shareholders in the form of dividends. They are paid in proportion to how many shares each owner has, but this will be easy to work out if you're the sole owner.

To be classed as a dividend, the money must be withdrawn from the company's profits. Otherwise, it will be recorded as a director's loan.

If you receive an income below the higher tax rate – a salary of £41,865 in 2014/15 – you'll only be charged 10% tax on dividends, but you can claim a tax credit to this amount to stop you from paying tax on your salary twice.

Salary

As the director of your limited company, the most tax-efficient salary is £7,956 (2014/15), because it's just below the threshold of being required to pay National Insurance, but just over the minimum to qualify for state pensions.

If you're the sole employee of your limited company, you are not required to pay yourself the minimum wage.

PAYE and National Insurance

Pay As You Earn (PAYE) is a tax taken from employee salaries, applicable to anybody earning at least £10,000 (2014/15).

If you're going to pay yourself a salary, you'll need to set up a PAYE scheme with HMRC. You'll face penalties if this isn't done properly, or on time.

We offer payroll administration as part of our comprehensive accounting services, so get in touch for a free consultation.

What's the most tax-efficient combination?

When deciding on how much to pay yourself, you'll have to think about whether you want to pay the least tax possible, or if you're happy to pay yourself more at the cost of having to pay a higher rate of tax.

If you want to be as tax-efficient as possible, we recommend a combined income of £38,114 (2014/15).

IR35

What is IR35?

IR35 is a set of rules which determine if you are actually self-employed or a limited company, rather than an employee.

It is there to stop employees claiming they are self-employed in order to pay lower taxes.

Unless you are an expert, the regulations are probably going to confuse you, but it essentially comes down to how much control you have over your work practices versus how much control a client has over you.

If you are in control of the way you do the work for your client, it's likely that you'll pass the IR35 rules and be allowed to class yourself as a limited company and receive tax benefits.

If you're not sure whether you pass the IR35 rules, we can offer guidance as part of our comprehensive accounting service and make sure you can just get on with your job.

Important forms and documents

There are various forms you will be required to fill out and file with Companies House and HMRC as the director of a limited company.

Here are a few of the most important ones:

Self-Assessment

If you're already working on a self-employed basis, you'll be familiar with self-assessment. As the director of a limited company, you'll still need to carry out a self-assessment of your personal finances each year.

P60

This is a summary of the salary you've paid yourself and any other employees, as well as tax that's been deducted from it the previous year.

P11D

This is the record of all benefits and expenses claimed over the past tax year.

Annual Return

An annual return acts as a snapshot of your company at a particular moment in time.

Abbreviated Accounts

Abbreviated accounts include information such as debtors, creditors, cash, and assets. They must be submitted to Companies House every year, the first of which is due nine months after your company's first year-end.

CT600

A CT600 records details of your company's income minus any tax allowances and expenses. You need to file one with HMRC once a year – the first is due 12 months after your company's first year-end.

Bookkeeping Guide

Bookkeeping with Pearl Accountants

Bookkeeping isn't the most fun part of running a business –
it can be time-consuming and can distract you from growing the business.

But it's not all bad. Staying on top of bookkeeping and making good records of all your financial transactions makes it easier to analyse your business's finances, giving you ideas of how to grow, or warning signs that trouble is ahead. And of course, it is the information your accountant uses to finalise your accounts and file your tax returns each year.

This guide will give you a brief overview of bookkeeping, explaining what it is, why it's useful, and how outsourcing your bookkeeping to an accountant can benefit your business while saving you money – it contains knowledge from many years' experience of Pearl helping people with their bookkeeping.

Contents

What is bookkeeping?

Bookkeeping is part of a business's accounting process and is where all financial transactions are recorded – these transactions include sales, receipts, purchases, and payments.

There are a few common methods of bookkeeping, such as single-entry bookkeeping and double-entry bookkeeping, but accounting software is increasingly being used too.

Who does the bookkeeping?

Unsurprisingly, the person in charge of a business's bookkeeping is called a bookkeeper. They are responsible for ensuring all financial transactions are recorded in the correct daybook, which includes a sales daybook, a purchases daybook, a cash daybook, etc.

Where does an accountant fit in?

Usually, a bookkeeper will bring the books to the trial balance stage, and then hand them over to an accountant who will prepare the income statement and balance sheet, and then file tax returns.

However, Pearl offers an in-house bookkeeping service and so can provide both of these roles. You can read more about it in the "In-house bookkeeping with Pearl" section.

The positives of bookkeeping

We know that for most companies, bookkeeping isn't the most fun or interesting part of running a business. In fact, it is often seen as a major downside – it takes a lot of time and effort which could be used to grow the business, or used as some extra free time.

However, spending time on good bookkeeping certainly has its advantages. Having your financial transactions laid out in front of you in a clear and easy-to-understand format can show you how well the business is doing, and give you some warnings when things aren't going so well.

If you don't have the time or money to do adequate bookkeeping or hire a full-time bookkeeper, get in touch with Pearl Accountants and ask us about our in-house bookkeeping service, where we send somebody to your business to do the bookkeeping for you.

Bookkeeper vs. accountant – which do you need?

A bookkeeper and an accountant both deal with a company's finances, so there are many overlaps in the tasks they each perform. However, both jobs are different enough from each other that you actually need both to run your business smoothly and successfully.

A bookkeeper handles the day-to-day finances, making sure all financial transactions – such as invoices, expenses, and receipts – are recorded correctly, whereas an accountant will use the information compiled by the bookkeeper to produce documents such as balance sheets and file the business's taxes.

At Pearl Accountants we also make sure our clients have all the advice they need to manage and grow their businesses.

In-house bookkeeping with Pearl Accountants

Many businesses – especially small and startup businesses – either do not have enough time or expertise to do good bookkeeping, or they do not have enough money to hire a full-time bookkeeper.

Using Pearl Accountants' in-house bookkeeping service solves both of these problems. We have many years of experience as accountants and bookkeepers, so we can ensure that the bookkeeping process is performed efficiently and without any errors such as entering the wrong numbers or recording a financial transaction in the wrong book.

And since you won't need to hire a full-time employee, bookkeeping will be a fraction of the cost but at a much higher quality.

What does "in-house bookkeeping" mean?

When we talk about our in-house bookkeeping service, we mean that we will send a bookkeeper to your business's premises when needed to perform all the tasks usually done by a full-time bookkeeper.

When do you need an in-house bookkeeper?

It can take a few hours a week of going through all of your company's financial transactions and recording them in the correct books, which is extra time an in-house bookkeeper from Pearl will give you to manage and grow your business.

With most accountants, you will only see them once a year when it is time to do your final accounts and file tax returns to HMRC.

Pearl Accountants are different because we believe that an accountant should be communicating with their clients throughout the year, looking at a company's finances and offering any advice needed in order to grow the business.

This advice is especially important for new businesses. Having a high-quality accountant and bookkeeper who you can trust from the beginning means that you are less likely to make mistakes that could affect the business's future, and analysing your finances will help you be more efficient and avoid trouble.

A guide to being a landlord

Being a landlord can be financially rewarding – your rental income can be used to make mortgage repayments on the property, or give you spare cash if you already own it outright. It can also be an interesting and enjoyable experience since you are essentially running a business.

However, being a landlord also brings with it certain responsibilities such as paying tax on rental income and abiding by rules and regulations regarding tenants and health and safety.

That's why we wrote this guide for landlords. This booklet contains knowledge from our many years' experience of supporting landlords with advice on property management and assistance with finance and taxes.

Contents

What is a landlord?

A landlord is somebody who owns a property such as a house or flat which is rented by or leased to an individual who is called a "tenant". Landlords can also lease their property to businesses.

Being a landlord brings with it certain rights and responsibilities, as well as financial rewards and burdens, which this guide will take you through.

Tips to become a successful landlord

Location

Don't be afraid to buy properties outside of London. Remember, you're not looking for a place to live in yourself, and properties outside of London can often be a lot less expensive.

Decorations

Play it safe with the decorating and paint the walls neutral colours so as not to put people off living there.

Mortgages

Don't take the first mortgage offer you receive, but instead shop around to look for the best deal. Get in touch with Pearl for more advice on mortgages.

Stick to the contract

Planning for the worst doesn't mean you need to accept late payments – if a tenant pays late and you let it slide, they'll think they can continue to get away with it, so you need to get on their case from the beginning.

Reasonable rent

Don't be greedy with how much rent you charge, and don't make unreasonable rent increases. You'll turn off potentially great tenants, especially if the rent is too high for the area.

Respect the tenant

You're legally required to give your tenants at least 24 hours' notice if you are going to enter the property for inspections or repairs.

Get everything in writing

Getting any communications between you and your tenants in writing will help protect the interests of you both. This includes everything from rental applications and a code of conduct to a tenant requesting repairs in writing (as well as by phone or in person). It could also help with any future disputes.

Plan for the worst

In an ideal world, you'll receive your rent on time every month. But what happens if your tenant is having a hard time and can't pay on time or, even worse, they lose their job? You should consider how long you'd still be able to afford the costs of the property while not receiving rent.

Don't discriminate

Remember, you don't have to be friends with your tenants (you don't even need to like them), they just need to be suitable to live in the property – that means you shouldn't accept or reject tenants based on race, religion, or beliefs.

Advantages of being a landlord

Income

Income from rent is a major reason to become a landlord. You will receive money each month which should cover any mortgage payments on the property. Hopefully, your property will increase in value, giving you the opportunity later on to sell it and make a profit.

If you don't have any mortgage payments to make because you own the property outright, you will make an even bigger profit each month.

Tax deductions

All rental income received by a landlord is taxable, but there are also tax deductions available in order to not discourage potential landlords from renting out property, including for:

- Accounting costs
- Buildings and contents insurance
- Cleaning and gardening
- Exterior and interior painting and decorating
- Fixing damaged furniture, windows, doors, and appliances
- Repairing roofs and guttering
- Treating damp

Long-term security

The ongoing income that comes from renting out a property means you have extra money to save for a pension, as well as providing support on a rainy day.

You could also choose to move into the property yourself if your living situation changes – though you'd need to consider any contracts signed with tenants.

Rental property as an investment

A rental property is an asset which can make you money, either through rental income or by selling the property later on at a higher value than when you bought it – however, you will need to manage your property as if it is a business, making decisions on costs, contracts, and terms and conditions.

Disadvantages of being a landlord

Time-consuming

Being a landlord isn't as simple as sitting back and relaxing as you watch the rent come in. It can be a time-consuming job, requiring you to undertake maintenance, deal with taxes, handle disputes with tenants, and sort out contracts. You can also spend a lot of time searching for suitable and reliable tenants.

You can, however, consider paying an agency to do much of the work for you.

Repairs and maintenance

As a landlord, you'll have to spend time either making any repairs to your property, or spend money on a handyman to do it for you. You might find small problems such as leaky taps or broken door handles easy to fix, but your tenant might not – it is your duty as a landlord to ensure the property is fit to live in.

Dealing with emergencies

It can be difficult enough to schedule visits to your property to do repairs, but it's another matter entirely when your tenant could call you at any hour of the day if they have an emergency such as flooding or lost keys.

As a landlord you'll have to either deal with emergencies yourself, or pay an agency to handle it for you.

Legal issues

Landlords have certain responsibilities, such as ensuring their rental property is safe to live in and not increasing rent unfairly, so you'll need to keep up with current property law and regulations, as well as any changes which could occur.

Also, if you ever have any problem with tenants, there are laws regarding how and when you are allowed to evict them.

Pearl Accountants can direct you to the relevant solicitors regarding these legal matters.

Costs and taxes

Landlords need to pay tax on any rental income, and there are various costs involved with managing a rental property, not all of which are tax deductible.

Here are some of the common costs you're likely to face:

- Decoration and furniture
- Energy efficiency certificate
- Gas safety certificate
- Landlord insurance
- Letting agency fees (if you decide to use one)
- Maintenance
- Rental income tax
- Repairs
- Tenancy deposit scheme

Pearl Accountants can advise you on costs, tax, and tax efficiency.

Rights and responsibilities

If you are a landlord who rents out a property, there are certain guidelines you must follow regarding the safety of your property and your tenants.

You must:

- Ensure your property is safe to live in and free from hazards
- Ensure gas and electrical equipment is safe
- Ensure your property follows fire safety regulations
- Ensure your property has an Energy Performance Certificate
- Ensure your tenant's deposit is kept in a government-approved tenancy deposit scheme

Finance

As mentioned previously, you are required to pay Income Tax on your rental income. If you have a mortgage, you'll need permission from your mortgage lender to rent out a property.

Entering your property

If you rent out a property to a tenant, you have the right to enter it to carry out inspections or repairs – however, you need to give your tenants at least 24 hours' notice and they are legally allowed to remain in the property while repairs are carried out.

Immediate access to a property is often allowed in the case of an emergency.

Repairs and maintenance

You will need to make any repairs to the property, especially repairs needed in order to make it safe to live in, such as gas or electrical systems.

Common areas

If you own a block of flats that you rent out, you'll need to ensure common areas such as staircases are kept in good condition and necessary repairs are made. Councils have the right to ask you to make any necessary repairs, or repair a flat damaged by another tenant.

Failing to make necessary repairs

If you don't carry out any necessary repairs to your property, or the repair isn't up to standards, a tenant can make a claim in the small claims court for repairs under £5,000, or deduct the cost from their rent if they have to handle the repairs themselves.

If there are any hazards which make living in the property dangerous, a tenant can ask the council to inspect the property under the Housing Health and Safety Rating System (HHSRS).

Making major repairs

Before you make any major repairs which require a tenant to move out, you should agree in writing how long the work will last, their right to return, and details of any alternative accommodation.

Health and safety inspections

Councils make sure properties are safe to live in by using the Housing Health and Safety Rating System (HHSRS). They check for hazards such as:

- A poor water supply
- Damp
- Lack of space, light, and security
- Risk of accidents
- Structural integrity
- Pollutants such as asbestos or carbon monoxide

A council could perform an HHSRS inspection either because they have surveyed local properties and believe your property is potentially hazardous, or because a tenant has asked them to carry one out.

Failed inspections and enforcement notices

If you fail the inspection you will receive an enforcement notice from the council (which you can appeal), in which case you will either need to carry out repairs, or pay the cost if the council decides to carries out the repairs themselves.

The council also has the right to stop people from using any part of the property.

Property redevelopments

If you need tenants to move out so you can redevelop the property, you can apply for permission to do so with the courts – they will be more likely to agree if you provide alternative accommodation.

Increasing rent

If you need or want to charge higher rent, such as after you make major repairs or improvements, you need to make sure the increase is fair, and if it is allowed under your tenancy agreement.

Disagreements with tenants

Since a landlord has certain responsibilities, you need to deal with any disputes with tenants in the correct way. However, taking your tenant to court should be the last resort, used only when other methods have been exhausted.

If you have any concerns about a tenant you should first talk to them about it, and if they refuse to listen and make changes you can then write them a formal letter explaining the problem.

If a formal letter fails to work, you should then consider using a mediation service, which is usually cheaper and quicker than going to court.

Going to court

If all else fails you should take legal action. This usually leads to a small claims court – it can, however, be expensive and could require the assistance of a solicitor.

Tax for landlords

You need to pay tax on any rental income. If you earn over £2,500 from rental income you need to notify HMRC (or call the Self-Assessment helpline to report earnings below £2,500).

Profit and Loss

When it is time to file a Self-Assessment tax return, you need to treat your properties as a single business, and work out a profit or loss as a whole by taking the total expenses away from the total rental income.

Allowable expenses

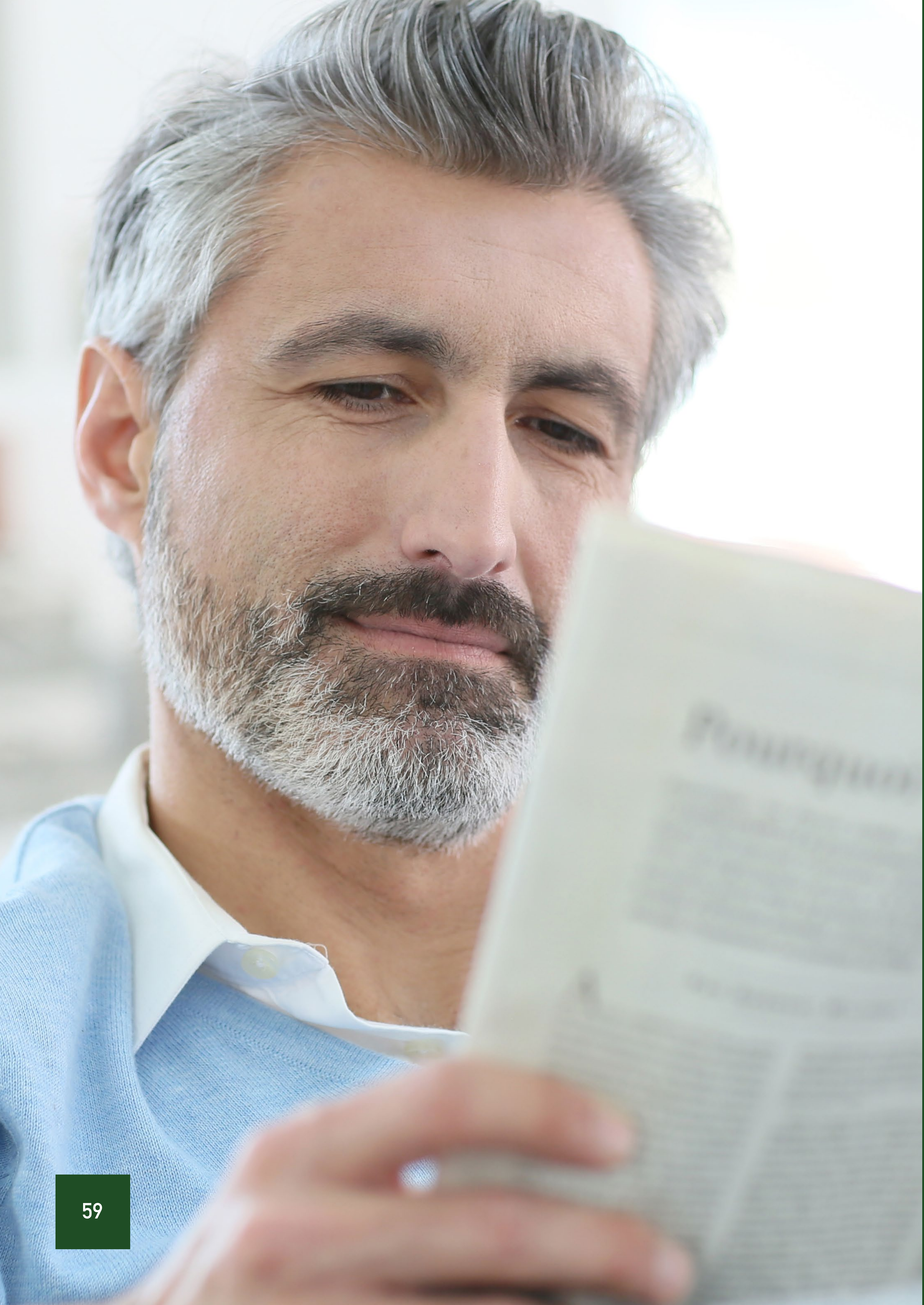
You can make deductions to your tax bill through allowable expenses, which are things you need to spend money on for the day-to-day running of a residential property, including:

- Accountants' fees
- Buildings and contents insurance
- Council Tax
- Interest on property loans
- Letting agents' fees
- Repairs and maintenance (but not improvements)
- Services such as gardening and cleaning
- Utility bills such as gas, water, and electricity

Furnished residential lettings

If you provide furniture and equipment with a furnished residential letting, you can claim 10% of the net rent as a wear-and-tear allowance.

If working all of this out seems boring, confusing, or time-consuming, don't worry. Pearl has many years' experience helping landlords with their taxes as well as giving advice on the day-to-day running of their rental properties.



What else can Pearl Accountants do for you?

Pearl Accountants provides a comprehensive accounting service, so we have much more to offer than just bookkeeping, including:

- Business and tax advice
- Company accounts & corporation tax
- Company formations
- Payroll administration
- Personal tax
- Registered address and mail forwarding
- Visa application assistance
- VAT

Give us a call today on 020 8582 0076 and see how we can help you.

What if you're migrating?

From an umbrella company

• Your account manager will inform them and then help you set up a limited company.

From another accountant

• We'll do all the work of contacting your current accountant and retrieve all of your information and accounts.

We specialise in helping

• Landlords
• Contractors
• Small businesses and startups

Your own dedicated accountant

• Unlimited meetings
• Proactive accountants
• You'll get great business and tax advice whenever you need it.

Accounts & Bookkeeping

• Accounting software to make your life easier and more efficient.
• Save valuable office space by keeping all of your records digitally.

Alternative for Pearl:

• Make bookkeeping simple and easy, and give you more time to grow your business.
• We can use the information from your accounts for everything from submitting tax returns on time to making your business as tax efficient as possible.

Business & Tax Advice

• We'll give you all the advice you need to grow your business.
• Save money by being as tax-efficient as possible.

Company Accounts & Corporation Tax

• We'll make sure your accounts are submitted with HMRC and Companies House accurately and on time.
• You'll never miss a deadline.

Company Formations

• We'll fill out and submit the relevant paperwork for you so you can focus on running your business.
• We'll help you decide which type of company is right for you.

Payroll

• We'll administrate PAYE, National Insurance, statutory sick pay, etc.
• We'll complete and submit statutory forms, including year-end returns, P35s, P60s, P45s, and P46s.
• We'll analyse staff costs, produce customised payslips, administrate bonuses and termination payments, etc.

Personal Tax

• We'll make the filing of your Self-Assessment tax return fast, easy, and efficient.
• You won't have to worry about penalties because we'll make sure you never miss a deadline.

Registered Address & Email Forwarding

• We'll receive and organise all your mail and forward it to the relevant destination.
• A registered address is great for people who want a business address with a wider customer appeal.

VAT

• We'll help you choose the most efficient method of paying VAT.
• We'll make sure you pay the right amount of tax in compliance with HMRC's Real Time Reporting – you'll never miss a deadline.

10 reasons why you should join Pearl Accountants

1 First Class Service

We provide a very high level of personalised service, with an approach tailored for you and your business.

2 Satisfied Clients

We help over 1,200 happy clients who are proud to be associated with our firm and as a result most of our business comes through referrals.

3 Dedicated Account Manager

All our clients are assigned a dedicated account manager who is there for unlimited friendly support whether you want to talk about expenses or wish to know how to save tax.

4 Unlimited Meetings

If you ever need tax or business advice, or need us to explain something to you, we'll meet you whenever it's needed.

5 Packages

Our accountancy packages are designed to be low-cost and easy to understand, with all-inclusive fixed-fee payments.

6 Qualified Accountants

We're a firm of Chartered Accountants, so you'll know that your account will be dealt with by a fully-qualified accountancy firm.

7 Experienced

We have helped hundreds of clients set up businesses whether they require a limited company or sole trader business.

8 Professional and Reliable

We take great pride in our work and uphold professional standards in everything we do for you.

9 Reputation

The great service we provide our clients means we have an outstanding reputation, with all work done in our offices.

10 24/7 Accountants

Modern business can be hectic, so we provide a 24/7 service so you can ask for advice whenever you need it.

What our clients say

Pearl Accountants offers a great but affordable accounting service for the modern business, but don't take our word for it...

I recently invested in a house to let, and am impressed with the level of support I have received. The team members were really professional and were able to give me great advice. Even though I'm not local, they were able to do skype meetings to ensure I get the best support as possible.

Mark Anderson

Pearl Accountants have been my accountants for many years and have been a great asset to my businesses. They have a strong team and knowledge is second to none. Very happy with the service and professionalism from them. Will continue to recommend them to my network.

Infinite Brush Limited

We have been a client with Pearl Accountants for the last 5 years and we can only say that we have had nothing but an exceptional service and the advice we have received has been correct and perfect for our business.

Usman Telecom Limited

I found Pearl accountants to be really professional.

They make me feel that I am a valued customer and to me what makes Pearl accountants unique is their helpful team of dedicated staff members.Their response is always prompt and it makes the daunting task of accounting really easy for me. Pearl Accountants is really a five star accountant company.

Kumon Hounslow Central

CONTACT PEARL ACCOUNTANTS

Telephone
020 8582 0076

Email
staff@pearlaccountants.com

Website
www.pearlaccountants.com

ARRANGE A VISIT TO OUR OFFICES

HOUNSLOW OFFICE
Pinnacle House, 31 Cross Lances Road, Hounslow, TW3 2AD

PARK ROYAL OFFICE
Suite 618, Crown House, North Circular Road, Park Royal, London, NW10 7PN

CENTRAL LONDON OFFICE
90 Long Acre, Covent Garden, London, WC2E 9RZ

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