

Case Study: Tax effective structuring for a property developer

GETTING THE RIGHT ADVICE

No guesswork needed to predict that income taxes are unlikely to go down and hence getting the right advice, creativity and right timing are not just key but vital ingredients for all tax payers (and not just bankers) in the Osborne era. Property developers are already having to cope with a tough economic climate, tight lending conditions and uncertainty over interest rates.

THE ISSUE

We recently advised a very successful UK resident property developer who was intending to buy and re-develop a site in London. The developer wished to accumulate reserves within his company for future development opportunities but equally needed to fund high school fees and other living expenses.

THE SOLUTION

We recommended the use of a Limited Liability Partnership "LLP". The LLP is basically a Partnership and its income and gains are generally taxed on the individual members of that LLP. However we suggested using a combination of corporate and individual members. The individual members were allocated a small proportion of the profits. The balance to fund the school fees and living expenses were financed by over-drawing their loan account with the LLP. The corporate members were allocated the balance of the profits. The net tax liabilities were therefore significantly reduced. The corporate members paid tax at the rate of 28% on their profits and the exposure of the individuals to UK income tax were reduced, so that their share of profits amounted to less than £150,000, so to escape the 50% tax band for high earners.

HOW WE WORK WITH YOU

We will provide you with the right advice at the right time in order to make the maximum financial impact. We do this by providing you with a Partner who is accessible, who will take the time to understand your business and who will co-ordinate a team of accounting, tax and audit specialists to successfully meet your objectives.

ABOUT KINGSTON SMITH'S PROPERTY TEAM

Kingston Smith is a top 20 firm of Chartered Accountants. Our property team have considerable experience in the property sector and work with clients in development, construction, investment and management. We help these clients run their businesses more successfully by providing practical advice such as planning ownership structures to minimise their tax exposure, accounting services ranging from bookkeeping, management accounts to the preparation and audit of year end financial statements to improve financial efficiency and helping source alternative methods of funding.

To find out more about Kingston Smith's bespoke services to the sector [click here](#)

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