

NEWSLETTER



Perception Accounting
Accountants with Vision

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SELLING YOUR BUY-TO-LET PROPERTY

How to offset Capital Gains Tax

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Selling your buy-to-let property

How to offset Capital Gains Tax

Selling a buy-to-let property can be a lucrative decision, offering the potential for substantial financial returns. However, it's essential to be aware of the tax implications, particularly Capital Gains Tax (CGT). Understanding how CGT works and exploring strategies to offset it can make a significant difference in the amount of tax you owe. This article will guide you through the basics of CGT on buy-to-let properties, outline the available reliefs and allowances, and provide practical tips on minimising your tax liability.



What is Capital Gains Tax (CGT)?

Capital Gains Tax is a tax on the profit you make when you sell an asset that has appreciated in value. For buy-to-let properties, CGT is charged on the difference between the sale price and the original purchase price, minus any allowable expenses.

For example, if you purchased a property for £200,000 and sold it for £300,000, your gain is £100,000. However, you won't pay tax on the entire £100,000, as various reliefs and allowances can reduce your taxable gain.

How Much CGT Will You Pay?

The amount of CGT you pay depends on your overall income and the size of the gain. As of the 2024/25 tax year, the CGT rates for individuals are:

- 18% on gains within the basic income tax band (up to £50,270) for residential property.
- 24% on gains above the basic rate threshold for residential property.

These rates apply to the taxable gain after deducting any allowable costs, reliefs, and the annual CGT allowance.

Offsetting CGT: Allowable Costs and Reliefs

Several costs and reliefs can help reduce your CGT liability when selling a buy-to-let property. Here's how you can offset CGT:

Deduct Allowable Expenses

You can deduct certain costs from your capital gain to reduce your CGT liability. These include:

- **Purchase Costs:** Expenses such as stamp duty, legal fees, and survey costs incurred when buying the property.
- **Selling Costs:** Costs associated with selling the property, including estate agent fees, solicitor fees, and advertising costs.
- **Improvement Costs:** Any capital improvements made to the property, such as extensions or renovations. Note that regular maintenance or repair costs are not deductible.



Use Your Annual CGT Allowance

Every individual is entitled to an annual CGT allowance, which allows you to make a certain amount of capital gains tax-free. For the 2024/25 tax year, the annual allowance is £3,000. If you're married or in a civil partnership, you can combine your allowances, effectively doubling the tax-free amount.

Private Residence Relief (PRR)

If the property was ever your main residence, you might be eligible for Private Residence Relief (PRR) for the period you lived there. PRR reduces the gain proportionately based on the time the property was your primary home. Additionally, the last nine months of ownership are also exempt, even if you were not living in the property during that time.

Letting Relief

If you rented out a property that was once your main residence, you might be eligible for Letting Relief. This relief can further reduce your taxable gain, though it's capped at £40,000 or the amount of PRR you've already claimed—whichever is lower. It's important to note that Letting Relief has become more restrictive since 2020, now only applying in specific scenarios where the owner shares occupancy with the tenant.

Transfer to a Spouse or Civil Partner

If your spouse or civil partner pays tax at a lower rate or has unused CGT allowance, you can transfer ownership (or part ownership) of the property to them before selling. This strategy can help reduce the overall CGT liability, as the transferred portion of the gain would be taxed at their rate and with their allowance.

Timing Your Sale

Consider the timing of your sale to minimise your CGT liability. For instance, if you're close to the end of the tax year, it might be beneficial to delay the sale until the next tax year to take advantage of a fresh annual CGT allowance.

Reporting and Paying CGT

If you make a taxable gain on your buy-to-let property, you must report and pay CGT within 60 days of the sale completion. This process involves completing a "UK Property Account" with HMRC, where you'll declare the gain and calculate the tax owed. You'll also need to include the gain on your Self Assessment tax return for the tax year in which you made the sale.

Selling a buy-to-let property can trigger a significant CGT bill, but with careful planning, you can offset much of the tax liability. Make sure to take advantage of all available reliefs and allowances, and consider consulting a tax advisor to help you navigate the complexities of CGT. By understanding how to reduce your CGT liability, you can maximise the profit from your property sale and keep more of your hard-earned money.



The Future of Accounting

How Artificial Intelligence is Transforming the Industry

We talk a lot about Artificial Intelligence (AI), this is because it is the biggest threat to Google that has ever been and it is no longer a futuristic concept; it's a present-day reality reshaping numerous industries, including accounting. For accounting firms, understanding and leveraging AI can lead to more efficient processes, better decision-making, and enhanced client service. This article explores how AI is transforming the accounting industry, the benefits it offers, and the challenges that come with its adoption. However, don't be fooled into thinking you can go solo with your accounts!

The rise of AI in accounting is marked by the automation of routine tasks, advanced analytics, and enhanced decision-making capabilities.

One of the primary advantages of AI is its ability to automate repetitive tasks such as data entry and reconciliation. AI-powered tools significantly reduce errors and free up accountants to focus on more complex, value-added tasks. For instance, machine learning algorithms can handle large volumes of invoices, speeding up the processing time and improving accuracy.

Beyond automation, AI facilitates advanced analytics and insights that were previously unattainable. Predictive analysis, powered by AI, can analyse historical data to forecast future financial trends, enabling firms to provide more strategic advice to clients. Additionally, AI systems can identify potential risks by analysing patterns and anomalies in financial data, allowing firms to manage these risks proactively.

Enhanced decision-making is another transformative aspect of AI in accounting. AI enables real-time financial reporting, providing firms and clients with up-to-date information to make informed decisions. Furthermore, AI can simulate various business scenarios, helping firms advise clients on the best course of action under different circumstances. This ability to anticipate and plan for multiple outcomes is invaluable in today's fast-paced business environment.

The benefits of AI in accounting are manifold. Increased efficiency and productivity are among the most significant advantages. By automating repetitive tasks, accountants can concentrate on higher-value activities, thereby improving overall productivity.

Enhanced client service is another critical benefit of AI in accounting. With more time available for strategic tasks, accountants can offer more personalised and insightful advice to clients. This not only strengthens client relationships but also positions the firm as a trusted advisor, rather than just a service provider.

However, the adoption of AI in accounting is not without challenges. One of the primary concerns is the cost of implementation. The initial investment in AI technology can be substantial, posing a barrier for smaller firms. Data security and privacy are also critical considerations, as AI systems handle sensitive financial data. Ensuring robust security measures is essential to protect against cyber threats.

As an accounting firm, staying informed about the latest technological advancements is crucial. Investing in AI training programs for your team and exploring AI solutions that can streamline your processes are essential steps. The future of AI accounting is here – ensuring your firm is ready to embrace it will set you apart in an increasingly competitive market.





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**INVESTMENT - SAVINGS - STOCKS -
BONDS - BUDGET - CREDIT - DEBT -
MORTGAGE - REVENUE - EXPENSES -
TAX - DIVIDEND - PORTFOLIO**



Adaptive Leadership in SME's

Working around growth and challenges.

Leadership within Small and Medium Enterprises (SMEs) plays a critical role in driving growth, fostering innovation, and navigating the myriad challenges that these businesses face.

Unlike larger corporations, SMEs often operate with limited resources, necessitating a unique approach to leadership that is both adaptive and visionary. This article explores the distinctive leadership landscape of SMEs, essential traits for successful leadership, and the role of adaptive leadership in ensuring sustainability and growth.

Through real-life examples and practical strategies, we aim to provide a comprehensive understanding of what it takes to lead an SME effectively in today's dynamic business environment.

Key Leadership Traits for SME Success


Several leadership traits are particularly beneficial for SME leaders in navigating growth and challenges:

Vision and Strategic Thinking: SME leaders must possess a clear vision for the future and the ability to develop strategic plans that align with this vision. This involves setting long-term goals while remaining adaptable to changing circumstances.

Adaptability and Resilience: Given the rapid changes in market conditions and the unique challenges SMEs face, leaders need to be highly adaptable and resilient. This trait helps them pivot strategies as needed and bounce back from setbacks.

Strong Communication and Interpersonal Skills: Effective communication is crucial in SMEs, where leaders interact closely with their teams. Building strong relationships and fostering open communication channels can drive employee engagement and collaboration.





Empowerment and Delegation: Successful SME leaders understand the importance of empowering their employees and delegating tasks effectively. This not only builds a sense of ownership among team members but also frees up leaders to focus on strategic initiatives.

Financial Acumen and Resource Management: With limited resources, SME leaders must be adept at managing finances and making strategic investments that promote growth. Financial literacy and prudent resource management are key to sustaining operations and funding expansion.

Real-life examples of SME leaders who have successfully navigated their businesses through growth and challenges provide valuable insights into effective leadership.

For instance, consider the case of Sara Blakely, the founder of Spanx. Starting with a small budget and no prior experience in the apparel industry, Blakely's vision, resilience, and innovative approach propelled Spanx into a globally recognised brand. Her willingness to take risks and adapt to market feedback were crucial in overcoming initial challenges and achieving success.

Similarly, Howard Schultz's leadership at Starbucks, although now a large corporation, began as a small business venture. Schultz's focus on creating a unique customer experience and his ability to adapt to market demands played a pivotal role in Starbucks' growth from a single store to a global coffeehouse chain.

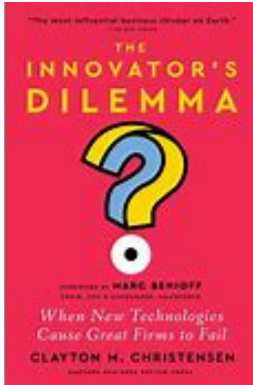
Practical tips for developing and implementing adaptive leadership strategies in SMEs include:

Embracing Change: Encourage a culture that views change as an opportunity rather than a threat. This can be achieved through regular training and fostering a growth mindset among employees.

Continuous Learning: Invest in personal and professional development for both leaders and team members. This can involve attending workshops, enrolling in online courses, or participating in industry conferences.

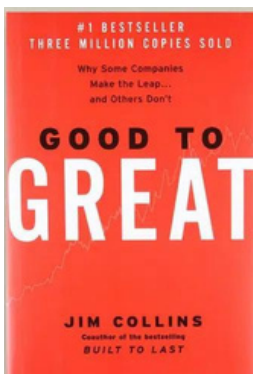
Encouraging Innovation: Create an environment where employees feel comfortable sharing ideas and experimenting with new approaches. Recognise and reward innovative thinking to sustain motivation and engagement.





The Innovator's Dilemma by Clayton M. Christensen

This book introduces the concept of disruptive innovation and explains why successful companies often fail to innovate. Christensen's insights are crucial for understanding how to stay ahead in a rapidly changing business landscape.



Good to Great: Why Some Companies Make the Leap...and Others Don't" by Jim Collins

Collins and his research team identify key factors that enable companies to transition from being good to truly great. The book outlines principles such as Level 5 Leadership, the Hedgehog Concept, and the Flywheel Effect, which have become fundamental concepts in business strategy.



The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses" by Eric Ries

This book has revolutionised the approach to building startups by emphasising the importance of iterative product development, validated learning, and pivoting based on customer feedback. Ries provides a methodology for developing businesses and products in a more efficient and customer-focused way.



JOKE TIME!

- Why did the scarecrow become a successful businessman? Because he was outstanding in his field!
- How do you make a small fortune in the stock market? Start with a large one.
- Why did the business executive bring a ladder to the meeting? Because he heard the company was going through the roof!

“HA
HA”
HA”



Classic Summer Margarita Cocktail

Ingredients:

- 2 oz (60 ml) tequila
- 1 oz (30 ml) Cointreau or Triple Sec
- 1 oz (30 ml) freshly squeezed lime juice
- Salt for rimming the glass
- Lime wedge or wheel for garnish
- Ice cubes

Instructions:

Prepare the Glass:

Rub a lime wedge around the rim of your glass.

Dip the rim of the glass in salt to coat it evenly. You can use a plate with salt for this.

Mix the Cocktail:

Fill a cocktail shaker with ice.

Add the tequila, Cointreau (or Triple Sec), and freshly squeezed lime juice to the shaker.

Shake It Up:

Shake the mixture vigorously for about 15 seconds until well-chilled.

Serve:

Fill your prepared glass with ice cubes.

Strain the margarita mixture into the glass over the ice.

Garnish with a lime wedge or wheel.



PERCEPTION

ACCOUNTING

COMPANY NEWS



Congratulations to Jake for passing his level 3 AAT exams. Jake is now starting his level 4!



Welcome Jemma who is joining the team in September as our new trainee accountant and congratulations on achieving great results in her A Levels.

Goodbye to Jazz who is leaving to pursue her public services career. She will be hugely missed but wish her all the best for the future.



goodbye

Thank You

Georgie in her role as Fundraising Chair at Dungeness RNLI recently hosted the station open day with her fundraising team that raised £3,146.57. Special thanks to Jazz and her band The Metalators who performed at the event.





***Thank you all for getting your tax return information
to us early.***

The winners of the draw were..



Mark Burchell

Wins a bottle of Dom Perignon



Runners Up

Alice Towndrow- sweet bouquet

Keith Cornell - Beer Hamper

Sarah O'Neill - Prosecco

Congratulations!

A WORD FROM THE MD

I hope everyone, both staff and clients alike, have had or are having a lovely summer and enjoying some well-deserved down time.



It has been a busy couple of months and the time has flown by as usual!

Tax return season is well underway, and I would like to say a huge thank you to everyone who has sent their information into us. So far that is around one third of the total we need to do. For those that haven't, it would be great if you can do it as soon as possible.



We have a new government which will I am sure bring lots of changes including tax changes that will impact on all of us in one way or another. We will keep you up to date with those as they happen and hope they are not too bad!



We had the Olympics, which I loved watching. Team GB did a great job as usual and gave us all something to be proud of.

Finally, I would like to send my love and best wishes to everyone at DMS who sadly lost Doug last month.

Lisa



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