

See the unseen

Bringing visions to life in the property sector

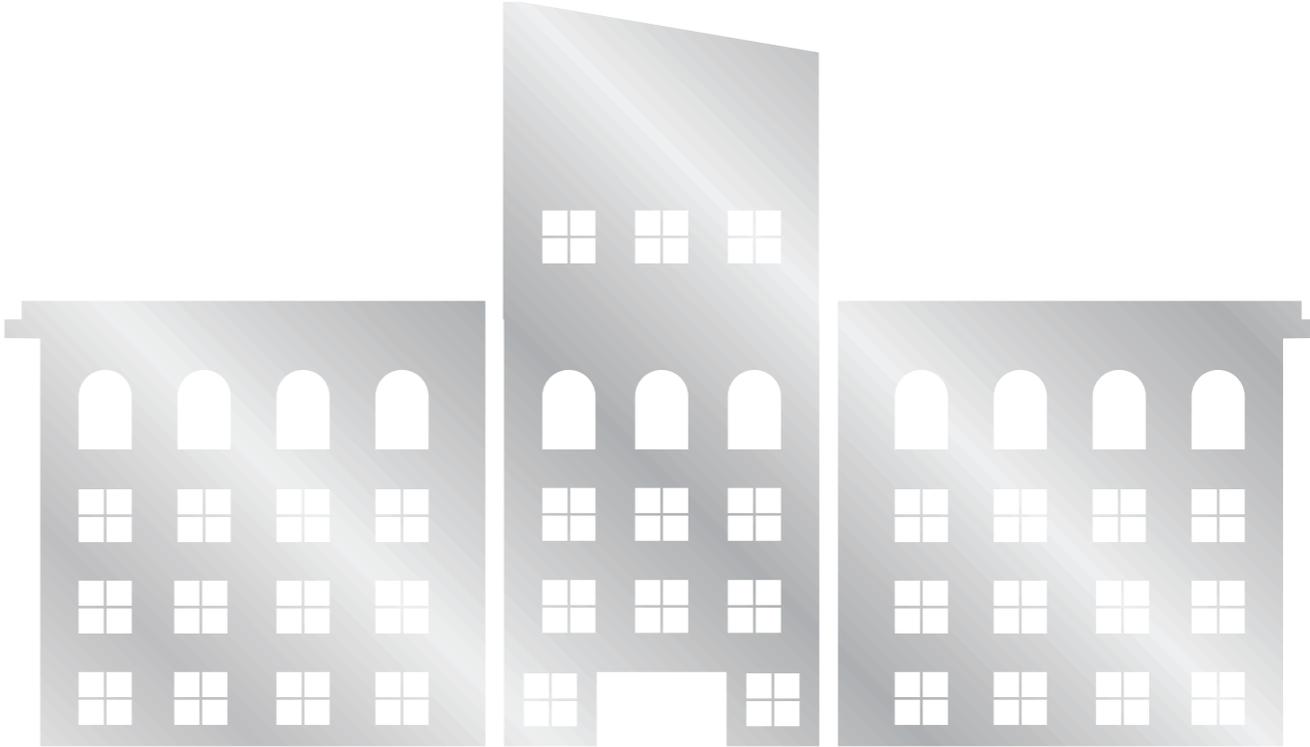


Behind success in the property sector
is the vision to see and realise opportunities.

We provide high-level support for our clients,
and our insights can help bring a vision to life.

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The foundations of a successful vision: planning ahead

Success in the world of property is invisible when you're laying the groundwork. People see it afterwards, of course: the completed deal, the new land use or the buildings with monumental impact. But first comes the idea.

A property transaction is never purely a transaction. Not for us. Not for the most successful in this sector. And not for the people we work best with and offer the most value to. It is always part of a vision: a bigger, longer-term strategic plan.

Competitive advantage doesn't come pre-packaged off the shelf and neither does our advice. Every property is unique, as is every strategy, and in this field, understanding and accommodating that makes all the difference. See what others cannot see, and you have the edge.

This observation is vitally important. Why? Because property is a highly complex, constantly changing and time-critical field, financially and legally, and the numbers can be huge. The range of options and depth of nuance means that there is much to gain for the well informed and the quick witted. Long before the deal, the best in property have sat down with their advisers and planned the way ahead. The financial planning and the vision go hand in hand.

What sets BKL apart?

To see the way forward that will best serve your interests takes several key qualities and approaches.

See the full picture

Not all accountants will ask, "Why? What are you really trying to do here?" For us, real relationships begin here. Our questioning nature gets us much closer to you, and knowing the full vision allows us to provide much more comprehensive and effective advice. We're part of many of our clients' inner circles, their sounding board.

Proactive not passive

We use the knowledge that we have and the interest in your wellbeing to be active contributors to positive change. We don't wait to be told what to do. We knock on the door with ideas.

Expertise in all areas

Property is subject to many types of tax (stamp duty land tax, capital gains tax, VAT and corporation tax, for example), some of which work against each other, and all of which are complex and subject to regular change. Our property team contains some of the foremost experts on these taxes in the country.

Creativity meets security

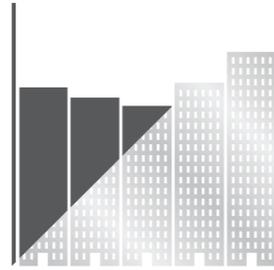
We solve challenges for our clients using invention and innovation, but always allied to thorough care and security. A deal is only great value if it's built to stand both the utmost scrutiny and the test of time.

Solutions for complex problems

We're used to dealing with highly complex structures. We find the best solution and do so without jargon, communicating with clarity, however tangled the issue. And there's no sitting on the fence. Our clients rely on us to give an opinion as experts. So that's what we do.

Expertise in action

What matters in business are the broader aims and ambitions of our clients. With open, challenging minds, and a breadth of vision to call on, we're able to make expertise count in the real world.



Restructuring property portfolio

The situation:

New rules restricting interest relief for buy-to-let (BTL) investors would triple the annual tax bill and severely restrict cashflow for one high net worth client with a highly geared £10m property portfolio. His previous accountant had told him that incorporating the portfolio would incur a £1.5m capital gains tax liability.

What we did:

Suggested using incorporation relief, applying for and obtaining HMRC clearance. We took care of complex issues on the refinancing structure, which we discussed with HMRC before obtaining their approval.

The outcome:

Not only did the client avoid the impact of the BTL interest rules, but the company pays a lower tax rate on rental income than previously, resulting in an annual tax saving of about £100,000.



Demerger structure

The situation:

Two brothers wanting to split the family property company agreed that the shares of 'brother A' (our client) would be bought for £5m by 'brother B', settled by £1.5m in cash and transfer of a £3.5m property. B's tax adviser suggested a sale of A's shares to a new company owned by B, resulting in tax being payable on £5m.

What we did:

Proposed an alternative "demerger" structure where our client paid tax only on the cash and the company would not pay tax on the transfer of the property to A.

The outcome:

B consulted a second adviser, who agreed our strategy. HMRC clearance was obtained without any problem, saving tax of £700,000 for A and £500,000 for the company.



Residential property VAT

The situation:

A property developer was converting a derelict former residential building to flats. The contractor was charging 20% VAT on the works, on the understanding it was an existing residential building.

What we did:

Discovered that as the number of flats on each floor was changing, the contractor should have been charging the 5% VAT rate. We also determined that with the building unused for over 10 years, and as the developer was selling the flats, the sale of these flats was zero rated and not exempt.

The outcome:

We obtained a credit note from the contractor so he only charged 5% VAT. We also assisted the developer in recovering over £150,000 in VAT on conversion costs and related professional fees.



Inheritance tax planning

The situation:

A family-owned investment group (£200m assets) faced losing up to 40% of the value of investment company shares to inheritance tax (IHT) over time. Among several complications, shares in investment companies do not qualify for IHT Business Property Relief.

What we did:

Devised a specialised 'growth share' structure based on the immediate personal positions of each major shareholder, maximising tax-free allowances and setting up family trusts where relevant. We explained the structure to family members and then modified it to accommodate needs.

The outcome:

We expect to take half or more of the value out of IHT for the current generation of owners whilst allowing them to retain voting control of the company.



Maximising capital allowances

The situation:

A residential and office development purchase: identifying and maximising the value of assets eligible for capital allowances. The seller usually dictates the value of allowances passing to the buyer – generally kept minimal, to retain the tax benefits for the seller.

What we did:

Concluded that as the seller was in receivership, they would probably pass more allowances if asked, due to their existing tax losses. We also advised that the office element be acquired through a partnership structure.

The outcome:

Capital allowances secured of £700,000, the highest available – resulting in an income tax saving of over £315,000 over the period of ownership for the individuals, without affecting the base cost of the property for CGT purposes.

Anatomy of a relationship

Sanjay Bhasin of Fusion Group talks about his relationship with BKL.



Sanjay Bhasin is the Group Finance Director at Fusion Group, a property development and investment company specialising in high-end residential schemes and student accommodation.

Fusion has worked with BKL since 2003.

Q.

How did Fusion come to work with BKL?

How have they proved their worth?

Have they helped you grow?

How does the relationship itself work in practice?

A.

We'd outgrown our previous accountants and were looking for more expertise in property and tax. Initially BKL helped us play a role in growing our high-end residential projects, helping us with the legal documents and identifying tax efficient structures.

In many ways. They suggested the overall structure for our business, taking into account our tax position, legal banking and commercial requirements. Another time they helped us with a sale which needed to be completed very quickly: they came up with a structure, helped us get the buyer on side and completed the sale before the deadline. We'd written that deal off, but they found a way.

They've been instrumental in helping us set up our student accommodation business; in fact they were absolutely key to securing the first site in Bristol. There were a number of other people tendering, but no one else thought to make a bid for the company owning the land instead of the land itself. BKL saw that buying the company rather than the site allowed us to put in a better offer than the competition, based on what would be saved on stamp duty land tax. Because the seller was based abroad, this structure worked well for them too. Now we have projects in Newcastle, Cardiff and Nottingham too, and more in the pipeline.

We always run our ideas by them first. We'll say, "Here's the bones of what we're planning", and they'll respond; they're aware of how we work commercially. They're there when the pressure's on. I've had emails from them at the weekend. One time they even drove to one of our sites with paperwork to help hit a deadline. We signed in hard hats on the bonnet of a car! They're smart, but thorough and completely bona fide, which is very important to us. I'll see them eight or nine times a year in person and we'll meet socially a couple of times too. I actually have them on speed dial! They've never let us down.

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Meet the team

Our team contains some of the most respected experts in the UK on the commercial, regulatory and taxation elements of the property sector.

If you want to get ahead, come and see us.



Myfanwy Neville

Specialisms: property investment and development for large family groups; unusual projects; overseas investors.

What to expect: perceptiveness; commerciality; enthusiasm. Winner of Women in Finance Accountancy Leader of the Year award.

myfanwy.neville@bkl.co.uk



Jason Appel

Specialisms: accounts; student/large residential properties; owner-managed and family businesses; property consultants.

What to expect: approachability; clear logic; the phrase “no such thing as a stupid question”.

jason.appel@bkl.co.uk



Andrew Levene

Specialisms: property tax – CGT, SDLT, ATED; incorporation of buy-to-lets.

What to expect: tax acumen with practical answers; calmness; efficiency. Member, Chartered Institute of Taxation Property Taxes Sub-Committee.

andrew.levene@bkl.co.uk



Simon Levine

Specialisms: VAT (lectures to property companies); residential and commercial; construction.

What to expect: extensive knowledge; sense of humour; golf analogies. Member, Institute of Indirect Taxation and Chartered Institute of Taxation.

simon.levine@bkl.co.uk



Jeff Hartstone

Specialisms: strategic property planning; entrepreneurs and high net worth individuals; family-owned and managed property businesses.

What to expect: a sounding board; an inquisitive mind; commitment; pragmatism.

jeff.hartstone@bkl.co.uk

See the big picture

The numbers are clear: we help our property clients build bright businesses; they help us build too.

25%

of our clients are in the property sector

No.1

Property is the largest single industry sector in our client base

230+

years of collective experience

Top 50

BKL's ranking in Accountancy Age's table of Top UK Accountancy Firms

15

We act for clients across the world in over 15 countries and speak 27 different languages

30+

members of BKL's property team, working from our London and Cambridge offices

Who we help:

UK and overseas property investors and developers (commercial and residential); property consultants; construction; estates and landowners; high net worth individuals

How we help:

Property investment, development and trading; tax planning and structures; back office support; funding; VAT; service charge audits and more

