

Tax Bonus for Buyers...

The property market will receive a considerable boost from April 2006, a leading agent predicts.

James Kersh, of Merseyside agents Sutton Kersh, made his forecast after government proposals allowing investors to buy property, such as buy-to-let, with a personal pension.

Speaking before Kersh Auctions' first event of the year next Wednesday at the Britannia Adelphi hotel, Kersh maintains that the property would therefore be free from tax on rental income and capital gains.

"You will be able to put both new and existing properties in a pension," he said.

He added: "It's being seen as a great tax giveaway for higher earners, with savers who contribute to their pension schemes in order to buy property getting tax relief on the money."

"For example, the government pays 22p for every 78p that you invest, taking the total contribution to 100p. Higher rate taxpayers get a further 18p through their tax return. So, someone who wants to purchase a £100,000 property would need to contribute only £78,000. Higher rate taxpayers would get a further hand-out of £18,000.

"Once a buy-to-let is in your pension, the rent will have to be reinvested in the fund and used to pay off any mortgage but it will be free from income tax at 40%, assuming you are a higher rate taxpayer. Any capital gains when you sell will also escape tax."

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