



WHAT'S IMPACTING PROPERTY & CONSTRUCTION?

The UK property and construction sector encompasses a wide range of businesses from small scale buy-to-let investors to multi-national construction groups. Over recent years the sector has seen many changes, in particular the changing tax rules. The general economic environment and political uncertainty have had a significant impact on the sector. On the up-side, the government has shown commitment to supporting the development of new housing and infrastructure, opening up opportunities to develop and invest in different types of property. New technology and innovative build techniques bring exciting new advancements to the sector and property is still regarded as a safe investment in the long term.

KEY CHALLENGES



PROFESSIONAL SERVICES

The property and construction sector comprises a wide range of professional services including architects, surveyors, planners and estate agents. Advice is commonly sought to ensure the business is adequately structured to help with succession or exit planning. This planning may be linked to tax efficient remuneration strategies which can help ensure that key individuals are retained within the business. Other tax reliefs should not be overlooked. For example, R&D relief may be relevant but is often overlooked by professional services firms.



OVERSEAS INVESTORS

Some of the biggest tax changes in recent years have impacted overseas investors of UK property bringing them into the UK tax regime for the first time. The UK is still an attractive investment and exchange rates have benefitted overseas investment but the uncertain economic climate has definitely impacted the very high value property market. The structure of holdings and types of investment can result in very different outcomes, and although tax should not drive the commercial objectives, obtaining good advice is key.



CONSTRUCTION

With ever tightening margins, strong finances are essential for construction companies. The workforce required to undertake projects has been hit by uncertainty due to Brexit and changes to pay requirements, such as increases in the national minimum wage and an expansion of the IR35 rules. There are also specific tax requirements such as CIS and upcoming changes to the VAT rules.

Training and development of employees is important to ensure staff retention at a time when demand for workers is outstripping supply. To gain a competitive edge, businesses should look at introducing tax efficient employee incentives or rewards.



UK INVESTORS

UK investors, both individuals and corporates, have been hit hard by tax changes, particularly with residential properties. These changes include the ATED rules, increased Stamp Duty Land Tax, the introduction of the Stamp Duty surcharge (3%), changes to tax relief for interest, and for individuals, residential property gains being excluded from the reduced capital gains tax rates. Further changes are coming in April 2020 with more under consultation.

To maximise returns and avoid any pitfalls existing investment structures should be continually reviewed. For new investments tax advice at the outset can ensure the most tax-efficient structure and maximise returns.



DEVELOPERS

To be successful, developers need to maximise the output from the land and buildings developed. This may sound simple but in recent years margins have been squeezed for many reasons. In addition, stock can take longer to sell resulting in potential cash flow problems jeopardising the business.

Strong finances are key to both survival and success as they allow flexibility and agility in the market. Better finances mean greater buying power which in turn can ensure land is more easily obtainable, opportunities actionable, and therefore decisions are not taken out of the business's hands. Good financial information and cash flow forecasts, ensuring budgets are set and managed are crucial.

The ever-changing tax rules need to be understood and built into the plans and structure of the business. Any tax reliefs such as land remediation relief, capital allowances or even R&D relief, should be claimed where available.

WHAT OUR CLIENTS SAY

EPR Architects is a major commercial firm of architects based in Westminster. We have been a client of Menzies for the last 16 years. When we decided to change auditors and accountants, one of our two main criteria was to find a firm who would provide a personal and proactive service as they guided us through our generational changes and intended growth. The other was that they must be able to offer a full range of top quality advice and services, both in the UK and internationally. Not an easy balance these days, but I'm very pleased, and relieved, to say that Menzies have excelled on both counts and have helped us manage our way through some very sensitive issues over the years. Their responses to our needs have been unfailingly timely and of high quality, with a genuine feeling of comfort that they have thought of all the options before giving their advice.

Ben Bacchus
Finance Director
EPR Architects

This was our first year of engagement with Menzies and we have been impressed. Menzies have been refreshing, focussing on key issues important to our business, they completed the first Audit in good time with minimal disruption to our daily operation. They are very approachable, providing when requested, practical and knowledgeable strategic advice in straight forward and clear language.

Frank Fogarty
Director
Forgarty Group Limited

Being in the property business we have seen a number of ups and downs in the market over the years, during this time we have been able to rely on Menzies to deliver the services we have needed whether it was audit, tax consultancy or FD services to help the business succeed. The range of services they offer and the expertise we can call upon them to provide makes them an idea fit for our business, and we would not hesitate to recommend them.

Jon Thompson
Operations Director
Tudorvale Properties Limited

Menzies are not just accountants - they provide us with strategic advice and help us manage our business effectively

Nick Russell
Director
Perega Limited

The Hobden Group of property companies has a £20m annual turnover. We value the proactive approach, speed of response and the quality of the advice we receive from Menzies LLP who provide us with annual audit, taxation advice and company secretarial services. Menzies LLP take a keen interest in the property sector, providing us with information on the Budget and other government financial changes relevant to our business.

Ash Dattani
Finance Director
Hobden Group

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THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK