

All That Glitters is Not Gold!

May 2012

Award winning Firm E3 Consulting highlights the dangers of using "new entrant" capital allowances advisers - offering poor value for money.

Snake Oil

In the old 'Wild West' Snake oil salesmen offered a Universal Elixir to solve all ailments - they seldom did as hyped! Using similar tactics to those 'pushing' Business ratings and SDLT solutions - these capital allowances new entrants - often claim 'special relationships with HMRC' or use of 'HMRC approved methodologies' or other plausible benefits. Too often the reality is that there is little or no substance behind the high profile websites and commission driven sales teams.



Over Egged Fees

Over the last six months E3 Consulting has had numerous new wins from clients initially approached by other firms - offering high levels of tax saving, with fixed fee options. To the unaware - particularly the irregular purchaser of tax services, on say FHLs or HMOs, these offers can seem good value. However what is seldom explained within the often pressurised sales process is that a VERY significant proportion of the tax savings available will be consumed by their fees! From our analyses of some of these "offers", between TWO and FOUR years worth of savings can be consumed by the fees. Not surprisingly those that take the time to do the maths or explore more established firms find better Value for Money.

Professional Accreditation & Indemnity

Other areas to be wary of include firms that have no professional accreditations. E3 Consulting for example is regulated by Royal Institution of Chartered Surveyors (RICS) and also registered with HM Revenue & Customs for Money Laundering Regulations. Those advisers with professional bodies scrutinising their activities will also be required to have an appropriate level of Professional Indemnity Insurance (PII) cover - insurance in the event of errors or mistakes. Unfortunately there are some that operate without any PII or cap the levels of PII cover so low (often below the level of fees requested) - offering their clients no real protection in the event of there being some problem.

Forewarned is forearmed - If you have incurred capital expenditure on property and wish to explore the value of the potential tax savings available to you; or if you are a professional adviser - your clients - please contact us to see how we can help you save money and improve cashflow.

This information is intended to provide general guidance only. The availability and quantum of any tax relief is dependant upon detailed legislative criteria and specific advice should always be sought in respect to any particular circumstances or project. E³ Consulting Limited can accept no responsibility for any action or inaction resulting from this limited information. The reader is herewith advised to take professional advice for each specific transaction based upon the full facts and a detailed understanding and, if required, analysis of the relevant legislation.

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Typical FHL or HMO Claim

	Purchase Price	Total Savings	First Year Savings	No Win no fee	Net Position in Yr1	Fees paid by Yr
	475,000					
Capital Allowances	109,250	23.00%				
Income Tax	20%	21,850	2,841	6%, 8%, 10%	6%, 8%, 10%	Yr3-Yr5
Income Tax Higher Rate	40%	43,700	5,681	6,555 8,740 10,925	(3,715) (5,900) (8,085)	Yr2-Yr3
				6,555 8,740 10,925	(874) (3,059) (5,244)	

Assumes 23% CAs, split 50:50 as PMAs and IFAs. Indicates that these 'fixed rates' don't provide Value for Money! Typically the first TWO to FIVE years worth of tax savings are consumed by Fees if you appoint the wrong adviser!