



## My kid's off to university; is there any way I can help?

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We're posed questions like this all the time and after offering sarcastic comments such as, "you could help them pack their bags or offer to take them to the station", we thought about it seriously. This question raises several issues which need careful consideration and we thought we'd share our thoughts with you, in case you, or someone you know, could benefit too.

### Should you consider buying a house for your child to live in?

We considered there might be 4 possible benefits:

1. providing free or subsidised living costs to your child,
2. creating potential rental profits for you or your child,
3. you would have assurances over the quality of the accommodation and more control over how it was managed, and
4. you would have potential exposure to gains in the form of increasing property values.

### Whose name should the house be bought in?

The house could be owned by you, or you could consider buying the house in your child's name. This will be influenced by whether finance is required and/or whether there's an appetite for you to be a loan-guarantor and/or give or loan your child the deposit.

Buying the property in your name will give you control of the asset but the 3% stamp duty supplement for owning a second property is a disadvantage.

### Buying in your name

Rental income, after deducting allowable expenses, received from your child's housemates will be taxable on you. The rate of tax will depend on your other income but could be as high as 45%. If a mortgage is involved, only the interest element of any repayments can be used as an allowable deduction, although this is now restricted to only provide tax relief at 20%. If your child isn't charged rent, then his or her share of the expenses, should not be claimed as a tax deduction.

When you decide to sell the property, you will be subject to capital gains tax on the growth in the value of the property during the period that you owned it. Depending on the increase in its value, this could be as high as 28%.

## Buying in your child's names

Your child would be subject to tax on rental income received from their housemates. However, as this would be their own house, they can benefit from the rent-a-room scheme which can give tax-free rental income of up to £7,500 per year. Also, as a student, although they may have part-time employment income, they may not have utilised all their personal allowance which will give them additional tax-free income.

When they decide to sell the property, as they have lived in the property as their own house, they are entitled to the capital gains principle private residence relief. This will likely result in a tax-free gain.

## Is there anything else to consider?

The simple answer is yes, but these issues haven't been explored here because more specific information is needed about the individuals' circumstances to consider them properly. The additional matters which we would consider include:

- Inheritance Tax
- HMO Status (House in Multiple Occupancy)
- Child's marital status now and in the future
- Possible benefits of you loaning money to your child to facilitate the above.

We started with a very simple question "my kid is off to university; can I help?" but as you can see, it's not a straightforward yes or no – there is lots to consider. As always, good advice is required to ensure that you and your family get the best outcome and, as usual, we can help - please give us a call.

## CONTACT

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