

Housing Development Finance



Why do we need Rural Homes Ltd?

- Deliver SDR development program in a cost effective manner
- Manage taxation
- VAT

VAT difference

South Devon Rural

- Build Cost £800,000
- Professional Fees £100,000
plus VAT £20,000
- Total paid £920,000
- Cost of Scheme £920,000

Rural Homes Ltd

- Build Cost £800,000
- Professional Fees £100,000
plus VAT £20,000
- Total Paid £920,000
- VAT reclaimed -£20,000
- Cost of Scheme £900,000

Separate Companies

- RHL must be seen as a separate company to SDR
- Clear loan contract between the 2 companies
- Build contracts between the 2 companies

Development Finance

- Expensive rates if you use true development finance
- SDR have unsecured property
- Works for both companies as RHL can get “cheaper” and more straight forward finance from SDR who can secure finance on existing assets not on a development site with funding restrictions and higher rates

Its normal isn't it to build houses for sale to fund the affordable housing?

SDR

- SDR selling Shinnars Bridge did not attract Corporation tax on the surplus as there is an exemption if the property has previously been used for social housing
- Selling a house which has been built for sale on the open market will have corporation tax payable on the surplus

RHL

- Selling a house will mean RHL have to pay Corporation tax on surpluses they make. However RHL can gift aid surpluses to a charity – such as SDR and reduce their Corporation tax liability

Development Program

- RHL working on identifying affordable schemes for SDR
- These could be individual sites or a joint venture

Money!

- Cheaper loans secured on existing properties
- RHL request loans as and when required
- VAT savings
- Corporation tax savings
- Work for other parties

Reassurance for both parties

- Each project as with SDR schemes have full financial appraisal
- RHL and SDR board will have to sign off their commitment to the scheme
- Stress testing

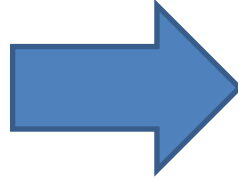
SDR buy land

SDR pay RHL fee for building affordables

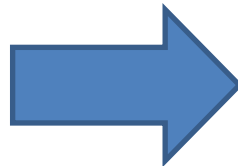
SDR lend RLH money for build costs

SDR use loan money on another project

SDR use gift aid to build more affordable housing

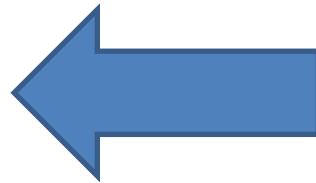


Fee income from SDR



RHL build open market sales cost

RHL sell houses for at the same time as buying the land from SDR cost and repay loan



Gift Aid SDR



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