

Note 4 – Property business profit

Richard owns a freehold shop which is let out unfurnished. The shop was purchased on 1 October 2013, and during October 2013 Richard spent £8,400 replacing the building's roof. The shop was not usable until this work was carried out, and this fact was represented by a reduced purchase price. During November 2013, Richard spent £800 on advertising the property for rent.

On 1 December 2013, the property was let to a tenant, with Richard receiving a premium of £12,000 for the grant of a 30-year lease. The monthly rent is £830 payable in advance, and during the period 1 December 2013 to 5 April 2014 Richard received five rental payments.

Due to a fire, £8,600 was spent on replacing the roof of the shop during February 2014. Only £8,200 of this was paid for by Richard's property insurance.

Richard paid insurance of £480 in respect of the property. This was paid on 1 October 2013 and is for the year ended 30 September 2014.

Required:

Compute property business profits for the tax year 2013/2014.

The income element of the premium that will be taxed is 5,040