



# Telling it like it is...

Landlord Tax – Updates

Wednesday 24<sup>th</sup> May 2017 | 12.15pm

Hosted By Sim Sekhon MD of LegalforLandlords



# Agenda

- ⦿ Introduction/format
- ⦿ Landlord Tax Updates
- ⦿ Implications
- ⦿ Options
- ⦿ Q & A

# Landlord Tax Updates

- ⦿ Stamp Duty changes 3%
- ⦿ No more 10% wear and tear allowance
- ⦿ Tax relief on mortgage interest being phased out

# Implications – Stamp Duty

- From April 2016 a 3% SDLT surcharge has applied to purchases of buy to let property and second homes.

| <b>Buy-to-let and second home Stamp Duty tax bands</b> |                      |   |
|--|----------------------|---|
| <b>Brackets</b>  | <b>Standard rate</b> | <b>Buy-to-let/second home rate (April 2016)</b> |
| Up to £125,000   | 0%                   | 3%  |
| £125,001 - £250,000                                    | 2%                   | 5%  |
| £250,001 - £925,000                                    | 5%                   | 8%  |
| £925,001 - £1.5m                                       | 10%                  | 13%   |
| over £1.5m   | 12%                  | 15%   |
| Source: HMRC   |                      |   |

# Implications – 10% Allowance

- ⦿ The wear and tear allowance has been replaced by a new system from April 2016.
- ⦿ The past wear and tear allowance allows landlords to deduct around 10% of their rental income in calculating taxable profit to allow for wear and tear.
- ⦿ The new system allows deductions for the actual costs incurred on replacing furnishings in the tax year.

# Implications – Interest Relief

- ⦿ Tax will now be paid on the full amount of rent less tax relief fixed at 20% instead of just the profit
- ⦿ Phased in from April 17 over 4 years

40% Tax Payer Example prior to April 17:

Your buy-to-let earns £20,000 a year and the interest-only mortgage costs £13,000 a year. Tax is due on the difference or profit. So you pay tax on £7,000, meaning £2,800 for HMRC and £4,200 for you.

# Implications – Interest Relief

40% Tax Payer Example in 2020:

- ⦿ Tax is now due on your full rental income of £20,000, less a tax credit equivalent to basic-rate tax on the interest.
- ⦿ So you pay 40pc tax on £20,000 (ie £8,000), less the 20pc credit (20pc of £13,000 = £2,600), meaning £5,400 for HMRC and £1,600 for you.
- ⦿ £4200 Vs £1600 if of course nothing changes at all

# Options

- ⦿ Limited Company ownership
- ⦿ Switch mortgage products
- ⦿ Consider spouse or family member ownership
- ⦿ Increase Rents / Rental Accommodation Improvements
- ⦿ Furnished or Unfurnished Properties
- ⦿ Quality / Longer Term tenants



# Q & A

# Thank you

⦿ For any information call our Free Advice Line on  
**0800 840 7133** or email  
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