

LANDLORDS – PAY LESS TAX



Capital Expenses - Purchase price of the property, furnishing the property, conveyancing fees and estate agent fees can't be claimed for. You also can't claim for improvements against rents received for permanent works such as extensions that have enhanced the value of the property at the date of sale, although these can be claimed for capital gains tax purposes.

Fees from Letting agent - If you use an agent to let and manage the property, you will typically pay 10-15% in fees. On a property with rent of £1000 per month, this is £1800 per annum you can claim as an expense.

Your costs to find tenants - Any costs associated with finding a tenant; advertising, legal documents, credit checks, obtaining references, can all be claimed against tax.

Mortgage Interest - The interest you pay on your mortgage can be used to offset your tax bill. Currently, for interest only mortgages the whole amount can be offset. However, this will be restricted to the basic rate of income tax starting in 2017. E.g. for a 40% taxpayer, every £100 of mortgage interest paid costs £60 now but this will rise to £80 once changes are fully implemented by 2020.

Mortgage fees - Although the costs associated with buying the property weren't allowable, any arrangement fees or mortgage broker fees are tax deductible in that year.

General upkeep & repairs - As long as it doesn't fall under the renovations, extensions restriction, you can claim

any reasonable expense relating to the upkeep of the property or furniture within it. For example, repairing the microwave or fridge. Landlords of Furnished residential properties could previously deduct 10% of net rent from their profits to cover wear and tear. The deduction could be applied whether they replace any furnishings, fixtures and fittings or repair the property or not. This changed in April 2016. Landlords are now only able to claim tax relief when they purchase furniture or make repairs to their rental property.

Leasehold related costs - Service charges, ground rent and similar charges paid to a freeholder are allowable.

Bills paid on behalf of tenant - As a landlord, you can opt to pay for a tenant's council tax, water, electricity etc. - all of which can be claimed back against tax. This is also relevant for empty properties.

Insurance - Landlords require landlord insurance which covers liability, buildings, loss of rent amongst other things. This is also allowable.

Other direct costs - Related phone calls, travel to your property, postage, stationery are allowable. In fact, if you use an accountant to do your tax return, their fees are also tax deductible!

Rent a room - Homeowners can let rooms tax free, earning up to £7,500pa.

Landlords - How to pay less tax on your buy-to-let properties

Could your buy-to-let property be more tax-efficient? Are you claiming back all of the allowable expenses? Here is our guide of what is allowable and what isn't which will help you to keep your dreaded tax bill to a minimum.

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