



## Changes for residential property landlords

Changes have taken place over the last few years which has made the purchase and letting out of a residential property more expensive. The major changes are as follows:

### Stamp duty land tax (SDLT)

An extra 3% SDLT will be applied over the standard residential property rates for purchases after 1 April 2016. This does not apply to purchases of main private residence. The rates of SDLT are shown below:

Band	Previous rate of SDLT	New rate of SDLT
£0-£125k	0%	3%
£125k-£250k	2%	5%
£250k-£925k	5%	8%
£925k-£1.5m	10%	13%
£1.5m +	12%	15%

### Reduced income tax relief for finance costs

Up until 5 April 2017 full tax relief has been given on finance costs including mortgage interest. From 6 April 2017, relief on finance costs will be restricted to 20% and will be phased in as follows:

	2017/18	2018/19	2019/20	2020/21
% of interest as a deduction at marginal rate	75%	50%	25%	0%
% of interest as a relief at 20%	25%	50%	75%	100%

As tax relief will now be given as a tax reduction rather than a deduction against the income, gross taxable income will be higher and this may have an adverse effect on other allowances and reliefs, such as personal allowance. If this may affect you please contact us for a review of your tax position.

### Removal of wear and tear allowance

From April 2016 if you are the owner of a furnished, or part-furnished, rental property you can no longer claim a flat rate wear and tear allowance, which was previously set at 10% of the rental income for the year, irrespective of whether furnishings were replaced or the actual costs of the replacements.

Under the new rules you tax relief will be claimed on the actual cost of replacing any furnishings.

### Rent a Room Relief

Until 5 April 2016 individuals who let part of their home can receive a tax free amount of £4,250. From 6 April 2016 this has increased to £7,500.

### Capital gains tax

From 6 April the maximum rate of CGT for individuals and trusts reduced from 28% to 20% for most assets with the rate for basic rate tax payers reducing to 10% except for residential properties. Residential properties (excluding principal private residence) will still be taxed at 28% or 18% depending on your marginal income tax rate.

### Non-resident landlords

The UK government has tried to clamp down on non-resident landlords with CGT being introduced on non-residents disposing of UK residential property after 5 April 2015, although only on the gain arising since that date. Non-residents disposing of UK residential property must report the transaction to HMRC within 30 days of disposal. They may also be required to settle any associated tax liabilities within the same timeframe.

**If you have any queries regarding buying and letting properties, please contact us.**



**Our tailored solutions for residential landlords commonly include a combination of the following Online Accounting services:**

- Accounting and Bookkeeping
- Tax Compliance
- Outsourcing
- Systems and Software

McIntyre Stuart are proud to be QuickBooks ProAdvisors:



**McIntyre Stuart,**  
PO BOX 180, Ely,  
Cambridgeshire,  
CB6 3QX