

Shelter

Private Renting Public Benefit

Tax and the Private Landlord

Helen Mackenzie

Chiene + Tait CA

www.chiene.co.uk



Taxation for landlords

- Taxation of rental income
- Taxation of capital gains
- Other taxes

Assessable Income

- Furnished Holiday Letting
- Other Property Income

Furnished Holiday Letting

- Must be let furnished
- Must be let on a commercial basis
- Must be available for letting for 140 days in the tax year
- Must be actually let for at least 70 days in the tax year
- Must not be let to the same individual for a continuous period of more than 31 days

Furnished Holiday Letting

Implications:

- Income classified as earned income
- Losses can be relieved against total income
- Income constitutes 'relevant earnings' for pension purposes
- Certain capital gains tax reliefs are available

Other property income

- Any income from property which is let at a market rent and which does not come within the furnished holiday let definition.
- This includes the letting of residential properties.
- This is regarded as investment income with losses only available to be carried forward and set against future profits.

Deductible Expenses

- Rent, Rates, Insurance
- Repairs, Maintenance, Renewals
- Finance Charges, Loan Interest
- Legal and Professional
- Services
- Other expenses



Tax adjustments

- Capital allowances
- Wear & Tear/Renewals
- Rent a room
- Landlords energy savings allowance

Losses

- Computed on the same basis as profits
- Carry forward against future profits
- Furnished Holiday losses can be offset against total income



Reporting Requirements/Record Keeping

- Statutory duty to report a new source of income to HM Revenue and Customs by 30 September following the end of the tax year.
- Statutory requirement to maintain records and keep them for 5 years from 31 January after the tax year

Tax Payments

- 1st payment on Account – 31/1 in tax year
 - Based on 50% of preceding year liability
- 2nd payment on Account – 31/7 after tax year
 - Based on 50% of preceding year liability
- Balancing Payment – 31/1 after tax year

Non-Resident Landlord Scheme

- Landlord receives rent after deduction of basic rate tax
- You can apply at anytime to HMRC to receive rental income with no tax deducted

Capital Gains Tax

- Computation of the gain
- Taper relief
- Private Residence/Letting Exemption
- Annual Exemption
- Tax payments and due dates

Stamp Duty Land Tax

Stamp Duty Land Tax (“SDLT”)

- Introduced on 1 December 2003
- Tax on transactions payable by purchaser
- Due on heritable property

Rates for Residential Property

- | | |
|-----------------------|----|
| • Up to £125,000 | 0% |
| • £125,001 - £250,000 | 1% |
| • £250,001 - £500,000 | 3% |
| • £500,001 or more | 4% |



Value Added Tax

- Residential Property exempt unless Holiday Letting
- Deductible expenses are VAT inclusive
- Potential reliefs
 - Construction Costs
 - Approved Alterations To Listed Buildings
 - Certain Conversions and Renovations

Inheritance Tax

- Charge on death (40%) and certain lifetime transfers (20%)
- Investment Property is not favoured

Important Note

These notes and lecture provide an overview of the current position in relation to both the law and practice.

Whilst care has been taken in their preparation, no responsibility can be accepted for any loss arising to any person as a result of using them.



Helen Mackenzie

Partner

email: helen.mackenzie@chiene.co.uk

Telephone: 0131 558 5800

