



TIPS FOR BUY-TO-LET LANDLORDS

It is important for buy-to-let landlords to understand their tax position and know what they should and should not do in order that they stay within the law yet do not pay tax unnecessarily.

TAX DEDUCTIBLE

1. Interest on the loan for the investment property counts as a business cost so it is tax deductible (i.e. when calculating your tax bill interest on the loan is offset against rental income whereby reducing your tax liability).

OWNERSHIP

2. If you are married and your partner pays tax at a lower rate consider transferring ownership to your partner so that tax on rental income is paid at the lower rate.

OFFSETTING LOSSES

3. If you let more than one property in the same tax year you can offset losses from one property against profits from another to reduce your overall tax liability.

SELF ASSESSMENT

4. If your profits have fallen since last year consult the Inland Revenue as your self assessment payments are calculated according to last year's level of profit. You may therefore be able to arrange a reduced tax payment which will ease cashflow.

EXPENSES

5. Do not forget to claim tax relief on repairs, insurance, letting agency fees, and legal and accountancy costs incurred after the purchase of the property. Travel costs to visit the properties are generally allowable for tax.

WEAR AND TEAR ALLOWANCE

6. If you let a furnished property it is easy to claim the wear and tear allowance which means you automatically claim 10% of all income rental as a business cost each year to cover depreciation and replacement of furnishings. Although landlords can choose to claim tax relief for the replacement of furniture this does not apply to the original items and so wear and tear allowance is generally the best option.

REPAIRS/IMPROVEMENTS

7. There is a difference between repairs and improvements. Repairs count as a business expense so they are generally tax deductible. Improvements are not as improvements add to the capital value of the property.

REDUCE YOUR CGT BILL

8. By living at the property as your main home at some stage you can potentially reduce your CGT bill when the property is finally sold.

SELLING UP

9. When you sell it may be best to hold the property jointly with your spouse or partner. This enables you to claim two annual CGT allowances currently £9,600. X 2 = £19,200.

For further information or if you would like to discuss this further please contact us.

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