

Changes to tax relief on buy-to-let property

The rate applied is 3% above the current SDLT rate. This also applies to furnished holiday lettings.

Capital Gains Tax (CGT)

Draft legislation has been issued to change the reporting of any CGT due on the disposal of residential property. A return must be made within 30 days of completion. The draft legislation will have effect for disposals made after 6 April 2020. CGT is charged at a rate of 28% on the disposal of residential property.

What can you do?

Landlords may want to consider incorporating their property lettings business into a limited company as these changes are not applicable to corporate purchases.

Companies pay corporation tax on their profits at a rate of 19%, reducing to 17% in 2020. Incorporating a business should be considered carefully, as apart from issues such as capital gains tax and stamp duty, there are practical matters to consider such as:

- Future income needs
- Refinancing costs

We recommend residential property owners seek our expert advice in reviewing how to structure a property business so that it remains most tax-efficient.



Changes to the way tax relief is given on buy-to-let properties were announced in the 2015 Autumn Statement and 2016 Budget

Finance costs

The Government previously announced that tax relief on buy-to-let mortgages will be gradually reduced to 20%. This is being phased in over a 3 year period starting from 6 April 2017 and will be fully implemented by 6 April 2020.

Currently a 40% taxpayer with yearly rental income of £9,600 and annual finance costs of £6,000 will have a tax bill of £1,440. With these new rules, the tax cost increases by over 83% by April 2020. This won't however apply to furnished holiday lettings:

Tax year	£
2015/2016 and 2016/2017	1,440
2017/2018	1,740
2018/2019	2,040
2019/2020	2,340
2020/2021	2,640

Stamp Duty Land Tax (SDLT)

The Government also increased the stamp duty land tax (SDLT) due on purchases of second or additional residential properties which complete on or after 1 April 2016. The use of the property is irrelevant and so it will apply whether it is to be rented or used as a second home.

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