



Landlord Tax: Your Handy Guide

JUST LETS
PETERBOROUGH



LANDLORD TAX: YOUR HANDY GUIDE

We know being a landlord is a challenging role, and there is a lot to consider. At Just Lets Peterborough, we aim to provide you with assistance in every aspect of the role. We can help you find the right rental accommodation, vet tenants and provide your tenants with a high standard of service.

We can also help you manage the tax expectations on a landlord.

At Just Lets Peterborough, we appreciate many landlords are unsure of their tax responsibility.

Therefore, we are keen to help letting industry professionals understand their landlord tax requirements in 2020, and if you need any assistance, we are always here to assist you.

Landlords must know what their tax requirements are.

Given there have been many changes to the tax landlords pay, and what relief is available for landlords, it is no surprise many landlords benefit from a reminder.

Whether you are a well-established landlord or new to the industry, we are here to ensure you know the tax rules for landlords and that you are aware of the tax implications of operating in the buy-to-let sector.

WHAT TAXES DO LANDLORDS PAY?





STAMP DUTY LAND TAX (SDLT)

Please bear in mind that from July 8th 2020 to March 31st 2021, there is a stamp duty holiday in place. There is a threshold of £500,000; any standard property purchase below this price will not incur a SDLT charge.

However, landlords in England are still required to pay the additional 3% stamp duty, even when there is no SDLT due to regular house buyers. For the duration of the stamp duty holiday, this is broken down as follows:

- For landlords and investors, the portion of property priced between £40,001 and £500,000 carries a 3% SDLT
- Then the portion of property prices between £500,001 and £925,000 carries a SDLT of 8%
- Then the portion of property prices between £925,001 and £1.5m carries a SDLT of 13%



STAMP DUTY LAND TAX (SDLT)

Any landlord looking to invest in the buy-to-let market must familiarise themselves with the additional stamp duty cost associated with their purchase.

In 2020, there have been calls from various bodies for stamp duty to be restricted for buy-to-let investors, but so far, there is no indication that this change will be implemented.

In February 2020, the Association of Residential Letting Agents submitted demands to the Government, including an exemption of the three per cent stamp duty surcharge for investors and landlords.



LANDLORD MORTGAGE INTEREST TAX RELIEF IN 2020-21

As of April 2020, landlords are no longer allowed to deduct mortgage expenses from their rental income to assist in reducing your tax bill. Now, landlords receive a tax credit, and this is based on 20% of the mortgage interest payments a landlord makes.

If you are a higher-rate taxpayer, this is a less than generous benefit for you. Under the former rules, which have been phased out over several years, these taxpayers would have received a 40% tax relief on their mortgage payments.

While the phased introduction of this system means landlords have had an opportunity to get used to the change, it has still presented challenges for many landlords.



RISK OF BEING PLACED INTO A HIGHER TAX BRACKET

The leading concern about this change affects higher-rate and additional rate landlords. These landlords will not receive all their tax back on the mortgage payment. With the tax credit only refunding tax at the basic 20% rate, landlords on a higher rate will lose out.

Another concern for some landlords about the way tax relief is now calculated is that it might place them into a higher tax bracket. Landlords who have been, and remain, in the basic tax-rate bracket are unaffected in this manner.

However, with landlords now declaring income that was used to pay the mortgage on the tax return might find they breach the income level that sees them paying a higher tax rate. For 2020/21, £50,000 is the level which sees landlords entering the higher tax rate bracket, and £150,000 is the level for the additional rate.

Given landlords also need to consider additional income sources, such as a salary or a pension, there is a risk some landlords will be moved into a higher tax bracket without generating any extra income.



CAPITAL GAINS TAX: PRIVATE RESIDENCE RELIEF

As of April 2020, there is a change to Private Residence Relief (PRR) available to landlords. Previously, landlords could claim PRR for all the time they lived in their property before they let it to tenants, and an additional 18 months after they moved out of the rental property.

However, this is now restricted to the time that the landlord lived in the rental property plus nine months. This removes a nine months' worth of CGT relief for landlords when they decide it is time to sell their rental property.

Another change in CGT for landlords comes for landlords who let a property that is or was previously their home. As of April 2020, landlords can only claim relief of up to £40,000 (or £80,000 for a couple) when they have been in shared occupancy with their tenants.

The Government states this change is to provide "better focus PRR to owner-occupiers" but understandably, some landlords will be negatively affected by this change.



CHANGE TO CGT PAYMENT

Another change which arose as of April 2020 is the deadline for paying a CGT bill.

Previously, landlords had until the 31st of January in the following the tax year the sale is made. However, this bill is now due within 30 days of the property being sold.

The amount of money due to be paid hasn't changed. However, the shortening of time before the bill must be paid will affect some landlords, and it is vital to be aware of this new set-up.



If you are a landlord in or around Peterborough, and you need assistance in managing your rental property or tax requirements, we can help.

We know these are challenging times for landlords, but there is a demand for rental property. When you need guidance in the local market, contact Just Lets Peterborough today, and we will be happy to help you.

You can find Just Lets Peterborough at 142 Oundle Road, Peterborough, Cambridgeshire, PE2 9PJ. Feel free to email us at peterborough@justlets.com or call us today on 01733 346255.



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