GUIDE TO BUY TO LET TAX CHANGES

The tax considerations for a landlord investing in Buy to Let are changing in the coming months and years. Here is our guide to what you need to know.

Stamp Duty Changes



From 1st April 2016, if you are purchasing a second property you will need to pay an extra 3% in Stamp Duty Land Tax, whether you are buying a second home or an investment property.

How to check when your purchase of a property means you are liable for the higher rates

Source: GOV.UK

How many properties do you own at the end of the day of the transaction?



ONE: The transaction is not subject to the higher rates regardless of what the property is used for.

TWO+: Is the property being purchased replacing your main

YES: The transaction is not subject to the higher rates.

YES, BUT previous main residence has not yet been sold: The transaction is subject to higher rates but a refund is available if this residence is sold within 36 months.

subject to the higher rates.

Source: HMRC

Source: HMRC

NO: The transaction is

residence (which is being sold)?

Buy to Let and second home Stamp Duty tax bands



We estimate that this could add around £4,500 to the cost of an average Buy to Let purchase.*

tax relief

Restrictions on Landlord



Landlord income received as rent is taxable and charged in accordance with their tax banding











Allowable expenses include:









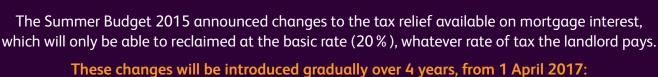
charges

Upcoming changes



LET BY





1 April 2018 to 1 April 2019 to



can be deducted at

higher rate, with

the remaining

being available as a basic rate tax reduction

can be deducted

31 March 2019

given as a basic rate tax reduction

at higher rate

and

finance costs can be deducted

at higher rate

and

31 March 2020

given as a basic rate tax reduction



Wear and Tear

Source: HMRC

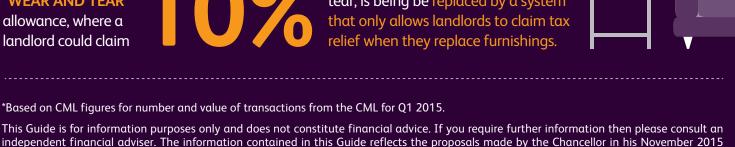
From April 2016

"WEAR AND TEAR"

allowance, where a landlord could claim

This Guide is for information purposes only and does not constitute financial advice. If you require further information then please consult an

of their rent as tax relief for wear and tear, is being be replaced by a system that only allows landlords to claim tax relief when they replace furnishings.



*Based on CML figures for number and value of transactions from the CML for Q1 2015.

Autumn Statement. Kensington are not responsible for any changes to the information contained in this Guide. Different stamp duty rates apply to different pricing bands of properties in Scotland.

IF YOU FAIL TO KEEP UP WITH PAYMENTS ON YOUR MORTGAGE A 'RECEIVER OF RENT'

