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## **Tax breaks for landlords**

**It's not only MPs that are entitled to tax breaks in relation to their properties and second homes. Buy-to-let landlords and property investors are also legally entitled to make certain expense claims and receive tax relief - but many are missing out.**

Leading Worcester letting agent Premier Places Ltd issues a reminder to local property investors and landlords, to ensure they are monitoring all of their property-related expenditure and, therefore, receiving the maximum tax relief allowable.

Whilst the experienced landlord may stop short of incurring expenditure on clearing a moat, building a duck house or supplying flat screen TV's, these items may still be tax deductible against their rental income. However, many new landlords are unaware of the full range of allowable expenses and tax claims that are available to them.

Premier Places highlights some of the items to consider when completing a tax return:

### **Mortgage interest**

A landlord who owns a buy-to-let property can take out a new mortgage (or top up the existing mortgage) up to the original cost of their investment and obtain tax relief against rental income. By remortgaging, it may, therefore, be possible to withdraw some of the capital originally invested and receive tax relief into the bargain.

### **Repairs and redecoration**

From a leaking roof to a blocked moat, all repairs can be claimed as a deduction for tax. Redecoration during void periods or before a tenancy is commenced are also allowable. Improvement expenditure on, for example, building extensions or installing central heating systems is not allowable against rental income, but will be counted as part of the cost for capital gains purposes.

### **Landlord's energy saving allowance**

Landlords who incur capital expenditure to install loft installation, wall or floor insulation and draught proofing in residential property may claim a deduction against rents of on expenditure up to £1500 per dwelling in any tax year.

### **Furniture**

If a landlord lets a fully furnished property then they can generally claim an annual wear and tear allowance of 10 per cent of rents or alternatively the cost of renewing items.

### **Services and wages**

Any utility costs, council tax etc met by a landlord, for example, during a void period may be deducted from rents. Wages paid to a gardener or caretaker is similarly deductible.

### **Motor and travel**

If a landlord uses their car or has to travel to visit their investment properties then the proportional cost of motoring, travel and parking etc may be tax deductible.

### **Office and administration costs**

As many property investors do their administration from home they may claim a proportion of their household bills, including heating, lighting, insurance, even a proportion of the mortgage and council tax costs. The proportion of costs available to be claimed depends on the office area and number of rooms in the house. The cost of advertising and insuring the property as well as other administration costs may also be offset for tax.

### **Professional fees**

Whilst fees for buying a buy-to-let property, including stamp duty, are allowable as part of the capital cost for capital gains purposes, they are not, therefore, deductible against rental income. Fees for drawing up tenancy agreements, property management, collecting debts and drawing up annual accounts are.

### **Losses**

For landlords with a portfolio of properties, all UK properties are treated as one entity. Therefore any loss on one property can be set off against profits on others.

### **Jointly owned property**

Many property investors will have bought their buy-to-let property jointly with their spouse. In the normal course of events property held in the names of husband and wife, will be treated as being owned, and rent received in equal shares. However, this may not achieve the best tax result. Investors should consider executing a straightforward document called a deed of trust to vary the ownership so that, for example, the husband might own 20 per cent and the wife owns 80 per cent. A joint election on Form 17 should then be sent to the Inland Revenue, within 60 days, and it will then be accepted that the net rents should be taxable in these unequal shares. This may be beneficial where one spouse is a higher rate taxpayer and the other is taxable only at the basic rate.

For advice or information on any aspect of property management or taxation, contact Peter Haley at Premier Places on 01905 616616 or [peterhaley@premierplaces.co.uk](mailto:peterhaley@premierplaces.co.uk).

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For further press information contact Hannah Wylde on 07974 248255.