

BUY TO LET GUIDE

Over the past few years there have been several changes in UK legislation and regulation for landlords and mortgage lenders. If you're thinking of becoming a landlord or expanding your portfolio of properties, there are a number of things to consider.

RESPONSIBILITIES OF A LANDLORD

Being a landlord isn't just a case of renting out a property you own. There are certain things defined by legislation that you must follow. Examples are:

- Annual gas safety inspection
- Energy Performance Certificate
- Property and landlord insurance
- Liability insurance.

There are also some other responsibilities it's worth keeping in mind:

- Repair and maintenance of the property, whether furnished or not
- Collecting rent
- Specific requirements on how deposits are held
- Scheduling regular inspections
- Whether you manage the letting yourself or get a letting agent to do that for you
- Referencing new tenants
- Having an up-to-date tenancy agreement.

Find out more about landlord responsibilities on the Government website www.gov.uk/renting-out-a-property

STAMP DUTY LAND TAX (SDLT)

SDLT is a tax you have to pay when you purchase a property. The amount you have to pay depends on the value of the property you're purchasing. Since April 2016 any property you purchase that will be a rental property or that will be a second home is subject to an additional 3% tax on top of the standard SDLT scale.

PURCHASE PRICE OF PROPERTY	RATE OF STAMP DUTY	BUY TO LET / SECOND HOME RATE*
£0 - £250,000	0%	3%
£250,001 - £925,000	5%	8%
£925,001 - £1.5 million	10%	13%
Over £1.5 million	12%	15%

Rates from 23 September 2022

*Properties under £40,000 are not subject to second home SDLT.

The additional 3% applies if you're buying a property with the purpose of renting, even if you don't own your own home and rent yourself. It also applies if you own a home in your name but your spouse doesn't, because you are considered to be one unit, which prevents people trying to avoid paying the additional tax.

To work out how much tax you'll need to pay, you can use the SDLT calculator at tax.service.gov.uk/calculate-stamp-duty-land-tax

INCOME TAX

As a landlord, you have to declare your income and costs, even if you aren't making a profit. To do this, you should keep all records, invoices, receipts and statements for up to six years.

If you own any rental properties on a personal basis you may have to pay income tax, and likewise if you own any properties as a limited company you may have to pay corporation tax. The amount of tax you have to pay depends on several different factors, including the rental income, mortgage interest and any other deductible costs.

Before April 2017, you were able to get tax relief on any interest paid on the mortgage in bands up to 100% for the highest tax rate. However, changes to legislation now mean that between April 2017 and 2020 the tax relief you'll get will change if you own Buy to Let properties on an personal basis.

This means that if you're a higher, or upper, rate tax payer, you may have a larger tax income liability. If you're a basic rate tax payer your income tax liability may be affected if your total income from earnings and rent is above a higher rate threshold.

If you're not sure on how the changes may affect how much tax you have to pay, it may be worth speaking with a tax adviser. You can find one in your local area on unbiased.co.uk

BUY TO LET IN YOUR OWN NAME OR AS A LIMITED COMPANY?

In the last couple of years owning Buy to Let properties within a Limited Company has become more common. There are advantages and disadvantages to doing this, and it's worth getting both financial and legal advice before you make a decision.

If you're thinking about buying or transferring properties into a Limited Company you may need to consider the following implications:

- Capital Gains Tax
- Stamp duty land tax (SDLT) / land and buildings transaction tax
- Inheritance tax
- Income tax and corporation tax
- Annual Tax on Enveloped Dwellings (ATED).

It's important to keep in mind that if you decide to own your currently rented properties in a Limited Company you may face a capital gains tax charge of up to 28% of the property's market value. You may also face an additional SDLT charge for the transfer.

We offer [Buy to Let mortgages](#) in your personal name and also as a Limited Company.

We also offer a [Buy to Let Offset Mortgage](#). By offsetting your savings against the mortgage you'll reduce the amount of interest that's charged. However, you won't earn any interest on your savings all the time they are linked to your mortgage. Other things being equal, this increases your net profit from letting (the tax charged on this higher figure will be more as a result) and the offsetting increases the overall cashflow you receive from letting.

It's worth speaking with a qualified mortgage adviser to discuss your options and see which one may be best for your circumstances.

For more information on our Buy to Let mortgages, visit familybuildingsociety.co.uk/Mortgages/BuyToLet

To find out more, please contact our dedicated New Business Team:

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