

A top-down view of various antique keys and a padlock scattered on a dark, textured wooden surface. The keys are made of metal, some showing signs of rust and wear. One key has a circular head, while others have traditional notched heads. A green padlock with a silver metal shackle is positioned in the center. The text 'WHAT'S IN STORE FOR BUY TO LET LANDLORDS IN 2021' is overlaid in a white box with a dark teal font.

**WHAT'S IN STORE FOR
BUY TO LET LANDLORDS IN 2021**

SEARCHING FOR SILVER LININGS?

Gone are the days when you could deduct mortgage expenses from a rental income. 2021 is the first full year landlords will receive a 20 per cent tax credit on interest payments, which isn't as beneficial for higher-rate and additional-rate taxpayers.

To help mitigate this many landlords are setting up limited companies.

PROS

Corporation tax rates of 19 per cent as opposed to higher individual income tax rates

CONS

Mortgages harder to secure and expensive

PROS

Continue to off-set buy-to-let interest against your property

CONS

Additional filing accounts and returns, add costs associated with this

CAPITAL GAINS TAX - THE GOOD, THE BAD AND THE UGLY

The Good - The Government actually increased the Capital Gains Tax allowance for 2020-21. It went from £12,000 to £12,300

The Bad - The Capital Gains Tax rate is higher for landlords – 18 per cent for basic-rate taxpayers, and 28 per cent for higher and additional-rate taxpayers

The Ugly -The Office of Tax Simplification was proposing the below, luckily in the last budget, they didn't get their way.

CURRENT CAPITAL GAINS TAX

Basic rate taxpayers pay 18 per cent

Higher rate taxpayers pay 28 per cent



OTS RECOMMENDATIONS

Basic rate taxpayers 20 per cent

Higher rate taxpayers 40 per cent

A rusty, circular padlock is mounted on a blue wall with a hole in the wall above it. The wall has a textured, speckled appearance with some red and white spots. The padlock is made of dark, weathered metal and has a keyhole on its front. The hole in the wall is a dark, irregular shape, and a small piece of blue material is visible inside it.

ONCE A HOME NOW AN INCOME?

For those who once lived in their rental property, Private Residence Relief is now reduced from 18 months to 9 and the £40,000 of lettings relief will now only apply to landlords who share an occupancy with their tenants.



CORPORATION TAX

To claw back some of the debt incurred from the pandemic the Government is increasing Corporation Tax from 19-25% from the 1st of April 2023. The 19% rate will continue to apply to companies with profits of not more than £50,000, with marginal relief for profits of up to £250,000.



MY TEACHER NEVER GAVE ME AN EXTENSION

Landlords and tenants have struggled to make ends meet during the pandemic. Most have tried to work together but for some this hasn't been possible. Mortgage payment holidays were offered to landlords to help manage any reduction in rent but fundamentally the loan still needs to be paid back. For any landlord trying to evict a tenant they won't be able to commence court proceedings or physical removal till the end of May.

You can still serve section 21 and 8 notices but the Covid 6 month notice period remains.



DON'T 'LET' ON LIVE WIRES

In an effort to improve tenants safety, electrical inspections and certifications will now apply to existing tenanted property from the 1 April 2021. (All new tenancies have already been under this legislation since 1 July 2020.) Certification will last 5 years and any work required must be carried out within 28 days of the report.