

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



Mortgages harder to secure and expensive

PROS

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



Additional filing accounts and returns, add costs associated with this



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

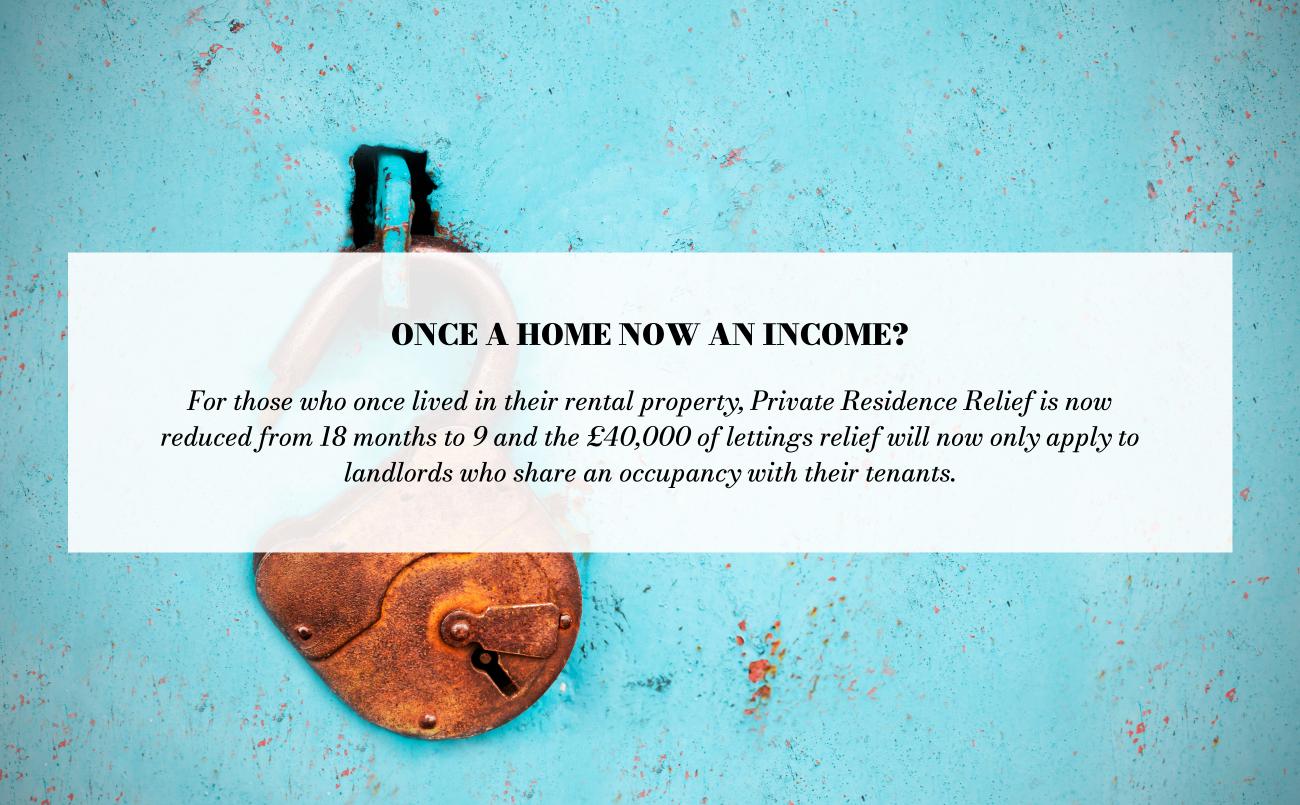
Basic rate taxpayers pay 18 per cent

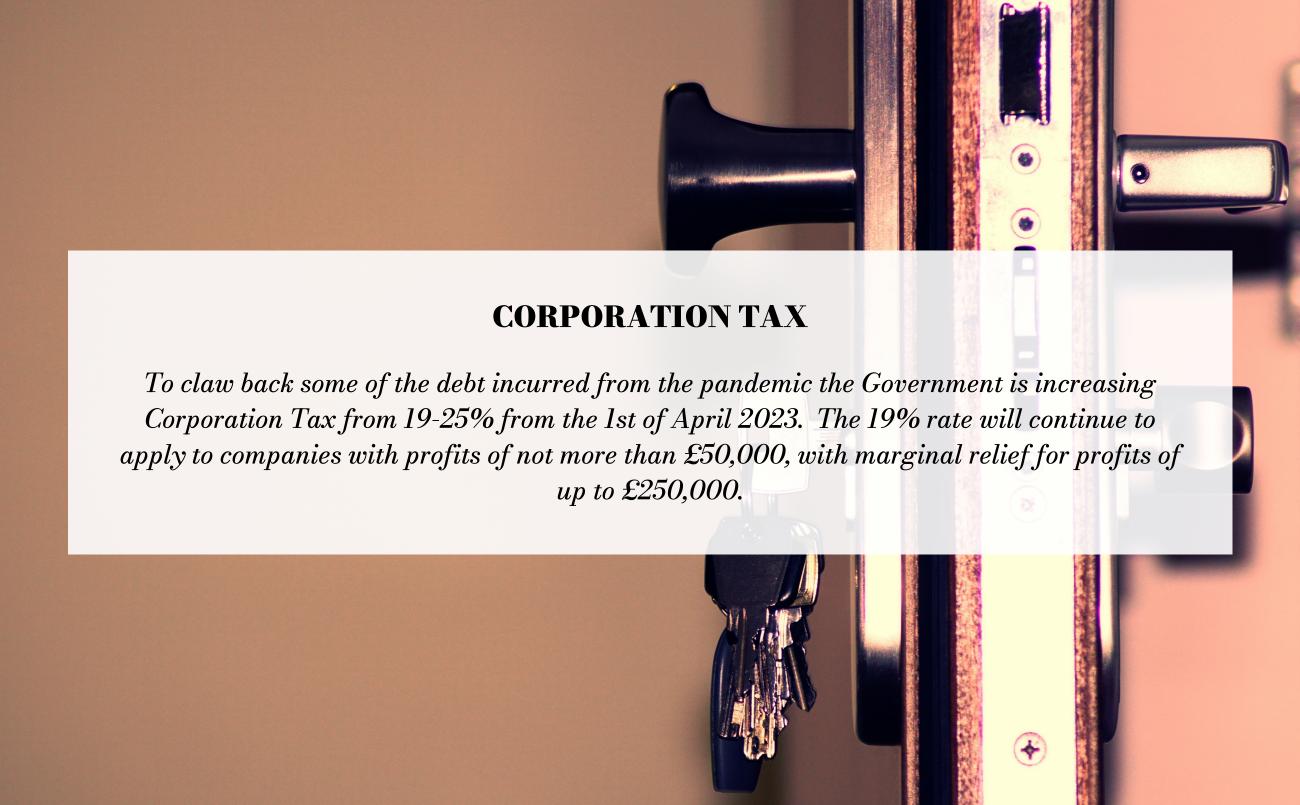
Higher rate taxpayers pay 28 per cent

OTS RECOMMENDATIONS

Basic rate taxpayers 20 per cent

Higher rate taxpayers 40 per cent





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.



