

LANDLORDS FACE RISING COSTS INCLUDING AN UPCOMING INCREASE IN PROPERTY INCOME TAX



Landlords have faced a string of challenges recently. Following the introduction of the Renters' Rights Act 2025, property income tax rates will rise by two percentage points across the board from 6 April 2027.

The rate increase will be achieved by the creation of a separate set of income tax rates for property income. The property basic rate will be 22%, the property higher rate will be 42% and the property additional rate will be 47%.

The new property income tax rates will only apply for English, Welsh and Northern Irish landlords. However, the devolved Scottish government will be given the power to also increase rates.

UNEVEN IMPACT

Relief for residential finance costs is going to increase in line with the new property basic rate, which means it will be set at 22% from 6 April 2027.

Therefore, highly geared landlords will be less impacted from the changes than landlords who have no, or very little, borrowing:

- For example, a higher rate taxpayer with property income of £20,000 and no finance costs, will be looking at an annual tax increase of £400.
- However, if finance costs are £15,000, the tax increase will only be £100.

The changes are more serious for those with a larger portfolio of properties, so someone with, say, ten to twelve rentals, and only moderate financing, could be facing a tax increase of around £1,500 to £2,000. With landlords already being hit by various other costs, they are probably going to have to pass on some or all of the extra tax by raising rents.

INCORPORATION

Incorporating an existing property portfolio may be too expensive from a tax perspective, but landlords may decide to acquire new properties through a company. A limited company structure means full relief for finance costs, but will often not be beneficial taxwise when it comes to extracting the property income from the company.

Be warned that the basic and higher tax rates on dividend income are also being increased by two percentage points.

The Government's guide to renting out property can be found [here](#).

WE CAN HELP

If you require further assistance with any of the issues raised in this article, contact us on 01753 888 211 or email info@nhllp.com. We are here to help.