Nunn Hayward
Chartered Accountants

Nunn Hayward LLP Planning Strategies:

Property Tax Changes

Individuals who own and let residential property are facing a number of changes to the way in which their rental income, and more importantly, the deductions they can make from their rents for income tax purposes, are changing.

They include:

Property tax changes from April 2016

1. An increase in the rent-a-room allowance for your main residence – increasing from £4,250 up to £7,500.
2. The abolition of the wear and tear allowance if you let furnished residential property that is not part of a holiday lets business; and the introduction of a new replacement furniture relief.

There is only one planning concern relating to the abolition of the wear and tear allowance (WTA) and this should be urgently considered before 5 April 2016.

Planning before 6 April 2016: Wear and Tear allowance abolition

If you own furnished let property/properties and are considering imminent replacement of furnishings you may wish to reconsider and delay your expenditure until after 5 April 2016.

In this way you can still claim the 10% WTA for 2015-16, and the new replacement furniture allowance from 6 April 2016.

For example, if you are budgeting you will only be able to claim the 10% allowance; the £5,000 will be disregarded for income tax purposes in 2015-16. If you delay your expenditure to a date after 5 April 2016, you will still be able to claim the same WTA in 2015-16, but can now claim a deduction for the £5,000 expenditure in 2016-17.

Property tax changes from April 2017: Buy to let mortgage interest chaos

As a direct result of this one change landlords who have borrowed heavily to grow their property portfolio may find themselves paying income tax at higher rates – they will need to work out the impact on their future tax payments and take the necessary steps to maintain the sustainability of their property business. Action needs to be taken before April 2017.

Planning before 6 April 2017

Key areas that may affect your property business may include one or more of the following;

- Incorporate property business
- Increase the basic rate income tax band
- Gift shares in property or other income producing assets
- Claiming expenses
- Reviewing mortgages
- Property sales
- Mergers
- Reduce income
- Increasing rents
- Holiday lets
- Work out future tax position

Next Steps

To understand more regarding any of the above topics, please contact your key Partner to arrange an appropriate time to discuss your property business in more detail and be fully aware of the impact that these areas may have on you.

Nunn Hayward LLP
Sterling House
20, Station Road
Gerrards Cross
Buckinghamshire
SL9 8EL

Telephone: 01753 888211
www.nhllp.com