

## Landlord's Guide

Being a landlord in 2018 isn't the same as it was (being a landlord) ten years ago, or even two years ago!

With ever-changing buy-to-let legislation, whether you are an existing or first-time landlord, there are many recent changes that you need to be aware of.

### 2016 - Stamp Duty Land Tax (SDLT)

The raise in stamp duty implemented in April 2016 on buy-to-let properties and second homes is by far the biggest change to landlord regulation in recent years, and one you are no doubt already aware of. The rules on this are straightforward; if you are already a property owner (i.e. are currently paying or have finished paying a mortgage of a residential property in the UK), and you purchase an additional property, whether it be a second home or a buy-to-let investment, you are subject to a higher rate of stamp duty.

| PROPERTY VALUE | STANDARD RATE SDLT | NEW ADDITIONAL PROPERTY RATE SDLT |
|----------------|--------------------|-----------------------------------|
| £0* - £125k    | 0%                 | 3%                                |
| £125k - £250k  | 2%                 | 5%                                |
| £250k - £925k  | 5%                 | 8%                                |
| £925k - £1.5m  | 10%                | 13%                               |
| £1.5m +        | 12%                | 15%                               |

### 2017 - Tax changes

In addition to higher stamp duty, landlords should also be aware of changes to tax relief. The change only affects those paying a higher rate of tax, who will see a substantial drop in income from their investment property.

Previously, interest on your mortgage and other costs associated with buy-to-let property have been deducted from rental income before any tax is due. However, effective April 2017, landlords are only able to claim tax relief at the basic tax rate of 20%, meaning basic rate tax payers will be unaffected.

This is the one to look out for as the impact won't be felt until you receive your 2019 tax bill, however it's vital you evaluate your portfolio now to ensure your investment(s) remains profitable.

It's also worth noting that this a reduction in tax liability as opposed to a reduction to taxable income. The new rates will be introduced gradually at 25% per year from April 2017, meaning it will be the 2020/21 tax year before they come into full effect.

| TAX YEAR | PERCENTAGE OF FINANCE COSTS DEDUCTIBLE FROM RENTAL INCOME | PERCENTAGE OF BASIC RATE TAX REDUCTION |
|----------|---|--|
| 2017/18  | 75%   | 25%                                    |
| 2018/19  | 50%   | 50%                                    |
| 2019/20  | 25%   | 75%                                    |
| 2020/21  | 0%  | 100%                                   |

## 2018 - Minimum Energy Efficiency Standards (MEES)

As of 1st April 2018 the MEES makes it unlawful to let out a property in the private rented sector with an Energy Performance Certificate (EPC) rating of F or G (unless exemptions apply). From this date landlords cannot renew or grant new tenancies on a residential property if it does not meet the MEES regulations.

Beyond April 2020, the continued private rental of all buildings failing to meet the minimum standard will be outlawed entirely.

Local councils will have the power to enforce compliance of the MEES, with penalties of up to £5,000, so it's important landlords carry out the necessary remedial and maintenance work on their buy-to-let properties now to avoid prosecution.

*For clarity, this information should be treated as a guide, and is in no way financial or legal advice. Should you require financial or tax assistance in relation to your buy-to-let property or position as a landlord, please speak to our partner company **MCC Accountants Ltd.***