



**This factsheet covers the tax treatment of properties under a standard let. Our 'Furnished Holiday Let Property Tax' factsheet sets out the different rules applying to those properties.**

- 1 For the majority of individual landlords, income and expenditure is now accounted for on the basis of actual receipts and payments in the tax year (referred to as the cash basis, available to all rental property businesses with gross income less than £150,000) rather than by allocating them to a specific time period (accruals basis).

For example, landlord's insurance may renew on 6 July; on the accruals basis 9/12 of the renewal premium would be claimed in the tax year in which paid, for the period 6 July to next 5 April and 3/12 would be carried-forward to be claimed in the subsequent tax year. Under the cash basis, the full annual premium will be claimed as the actual payment in that year. Rents under the cash basis are taxed when received rather than by reference to the period to which they relate, which can result in the acceleration of tax liabilities.

- 2 The cash basis is the default, although it is possible to elect for the accruals basis to apply, should that be in the landlord's favour. UK and overseas property businesses are treated separately and can use different accounting methods. However, all properties within each business must be accounted for on the same basis, i.e. all UK properties and all overseas properties.

3 If you take a mortgage advance on your buy to let property, tax relief on the interest is only given where the borrowing is used wholly for the purpose of your lettings business. Landlords receive a tax credit based on 20% of allowable interest, replacing the more generous deductions that had been allowable in earlier years. As a result, landlords' taxable income is based on rental profit without allowance for finance costs.

---

4 Expenses incurred 'wholly and exclusively' for the purpose of the business are tax deductible, for example; council tax, insurance, agent's fees and advertising. The cost of replacement of items for domestic use is tax relievable on a like-for-like basis. The relief applies to moveable furniture (sofas, tables, bed frames etc), furnishings (curtains, rugs, carpets etc), household appliances (fridges, freezers, washing machines etc) and kitchenware (utensils, crockery, cutlery etc). Expenditure on replacing property fixtures such as baths, washbasins, toilets and fitted furniture (built in wardrobes and cupboards), boilers and radiators may be allowable for income tax purposes as a repair to the building. This largely depends on the extent of the work carried out and so we would recommend that advice is sought when considering significant expenditure.

---

5 Income for tax purposes will usually be split between joint owners in proportion to ownership. Joint owners are free to make separate decisions about whether to use the cash or accruals basis, although in practice most align their requirements. The exception to this is married couples and those in a civil partnership, where the income must be accounted for on a consistent basis and is automatically split 50:50, unless a declaration is made on form 17 to HM Revenue & Customs (HMRC) so that the actual beneficial ownership split is used instead (for example, if the property is owned 75:25). We recommend that you seek professional advice in regard to these issues.

---

6 Losses sustained in a tax year are carried forward against future rental profits from the same rental business. They cannot be set against other taxable income of the year.

---

7 HMRC should be informed when letting commences, and tax returns will be necessary for each owner unless their gross rental income is less than £1,000. It is essential to notify HMRC of new sources of rental income by 5 October following the end of the tax year to avoid late notification penalties being levied.

---

8 Rental profits will be added to the owner's other income and taxed at their marginal rate of income tax (currently 20% for basic rate tax payers or 40% / 45% for higher rate and additional rate tax payers, depending on taxable income levels).

---

9 Capital gains on residential property are subject to Capital Gains Tax (CGT) at 18%, where the gain falls within the basic rate band and 28% where the gain falls in to higher rates. This represents an 8% surcharge on the standard CGT rates of 10% and 20% applicable to other assets, such as shares. HMRC require online reporting and payment of CGT on the disposal of UK residential property within 60 days of completion.

**10** Expenditure on improvements to the property are subject to tax relief only when the property is sold (e.g. the cost of a new conservatory will reduce the capital gain on sale).

---

**11** Stamp Duty Land Tax (SDLT) is payable on the purchase of buy-to-let property at rates of between 3% and 15%, depending on the price paid.

---

**12** In some circumstances, it might be beneficial to trade via a limited company, but seek professional advice first. Our 'Buy-to-let: Company or personal?' factsheet sets out some of the key differences.

---

**13** If you live abroad for 6 months or more per year you are classed as a non-resident landlord by HMRC, even if you are UK resident for tax purposes. HMRC require you to apply to receive income without deduction of income tax under the Non-resident Landlord Scheme.

---

**14** Finally, we would recommend the use of a letting agent to manage your property. They will be able to ensure that you comply with the increasing responsibilities of landlords, such as checking your tenant's right to rent, health and safety requirements and tenancy deposit protection.

---

This is a brief summary, for further information please contact our experts:

**Clare Goodswen** - Partner

**Tessa Morgan** - Director of Private Client Services

**Sam Holloway** - Senior Tax Manager

**We offer free initial consultations.**



**Clare Goodswen**

Partner

☎ 01603 227600

✉ [clare.goodswen@mapartners.co.uk](mailto:clare.goodswen@mapartners.co.uk)



**Tessa Morgan**

Director of Private Client Services

☎ 01603 227600

✉ [tessa.morgan@mapartners.co.uk](mailto:tessa.morgan@mapartners.co.uk)



**Sam Holloway**

Senior Tax Manager

☎ 01603 227600

✉ [sam.holloway@mapartners.co.uk](mailto:sam.holloway@mapartners.co.uk)

**M+A Partners** has been helping clients to grow their businesses and achieve their ambitions for over a century - and we're immensely proud of our history.

We are a forward-looking firm with an emphasis on innovation, new technology and finding pioneering ways to give our clients the best possible service.

Our Norfolk-based firm is led by nine partners who are some of the most high-profile and well-respected experts in their fields locally, supported by a talented team of over a hundred staff.

We have a well-earned reputation for building excellent relationships with clients and the wider business community. That has always been, and continues to be, our number one priority.

## **MA Partners LLP**

7 The Close Norwich Norfolk NR1 4DJ

2 Cyprus Court Queens Square Attleborough Norfolk NR17 2AE

12 Church Street Cromer Norfolk NR27 9ER

☎ 01603 227600

✉ [enquiries@mapartners.co.uk](mailto:enquiries@mapartners.co.uk)

**[mapartners.co.uk](https://mapartners.co.uk)**



**[mapartnersuk](https://mapartnersuk.com)**

**Disclaimer** We believe the information herein to be correct at the time of going to press, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein. **November 2023** Printed and published by © MA Partners LLP. M+A Partners is the trading name of MA Partners LLP and MA Partners Audit LLP, which are limited liability partnerships. A list of members may be inspected at our registered office: 7 The Close, Norwich, NR1 4DJ. The term "partner" is used to refer to a member of MA Partners LLP or MA Partners Audit LLP. MA Partners LLP is regulated for a range of investment business activities and licensed to carry out the reserved legal activity of non-contentious probate in England and Wales by the Institute of Chartered Accountants in England and Wales. MA Partners LLP is registered in England and Wales (LLP number OC 361855). MA Partners Audit LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. MA Partners Audit LLP is registered in England and Wales (LLP number OC 427003).