



**HOWARD KILVINGTON**

SECRETARY  
CARDIFF LANDLORD FORUM  
MANAGEMENT COMMITTEE

## Annual General Meeting 2015

### Mission Statement

1. The Aims and objectives of the CLF are to educate and to inform landlords of Cardiff and to provide avenues of communication with officers, council members and external bodies and to provide a common voice in the service of the membership.
2. To work with Cardiff Council and other partners to improve services within the private rented sector and to develop the sector to the benefit of landlords, tenants and the community at large.

### The Committee

The Committee has a membership of nine including the Chair and Vice Chair and membership is open to Cardiff Landlords who have attended at least three general Meetings since the last year.

There are currently three vacancies and nominations must reach the Chair's offices at James Douglas by 28<sup>th</sup> October. Nominations must be seconded by another member of the CLF, but if it is not convenient for you to obtain a nomination, qualified candidates are able to be nominated by a member of the Committee on receipt of the form.

Details are on the nomination forms.

# Committee Activities

- Meetings are held before most General CLF meetings
- Handles all aspects of the administration of the CLF
- Considers and arranges speakers for the General Meetings
- Facilitates meetings timetable, conference rooms bar and other requirements.
- Represents the CLF on many important policy making bodies of Welsh Government and Local Government.
- Considers and formulates responses to the many consultations of Property Letting from Government.

The work of the Committee is vital to the successful and continued operation of the Forum and we need new Committee members to join us in ensuring this continues.

SEND YOUR NOMINATIONS TO:

James Douglas, 1 St Martin's Row. Albany Road, Cardiff. CF24 4RP

Or email

[daniel.bellis@rla.org.uk](mailto:daniel.bellis@rla.org.uk) or [phillip.nicholls@rla.org.uk](mailto:phillip.nicholls@rla.org.uk)

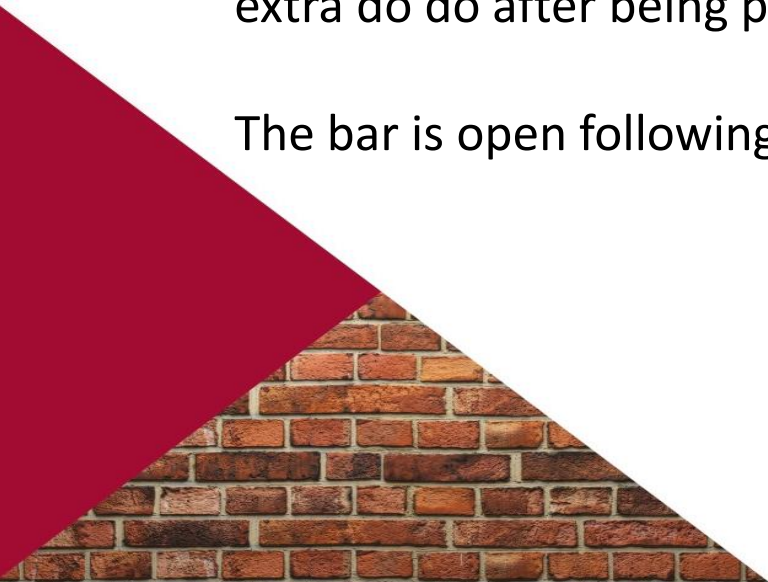
# Scrutiny Committee Meeting on the Closure of Wedal Road Recycling Site 26<sup>th</sup> August 2015

Douglas Haig represented the interests of the CLF as a speaker at the meeting of Cardiff Councillors at the meeting to consider the decision to close Wedal Road in favour of Lamby Way/Bessemer Road.

Landlord Accreditation Wales is changing. From Autumn this year it will be replaced by Rent Smart Wales.

Landlords who have qualified with the Wales Accredited Landlord Scheme will have little additional extra to do after being passported into the Rent Smart.

The bar is open following the meeting for networking





# Recent Tax Changes and the Implications for Landlords



# Contents

- Mortgage interest relief
- Rental property in limited company
- Wear and tear allowance
- Private Residence Relief
- Tax tips
- Questions





# Mortgage Interest Relief



**Green&Co**  
ACCOUNTANTS AND TAX ADVISORS

- Current system – mortgage interest and finance costs fully relieved
- No change for basic rate taxpayers
- Higher rate relief being phased out over four years from April 2017
- New rules include other finance costs
- Only affects Individuals (Corporation tax 19% in 2017)
- Restriction does not apply to furnished holiday lettings



# The Phasing Out Period

The phasing out period will commence April 2017; landlords will obtain full relief on 75% of their finance costs and the remaining 25% will be subject to a basic rate tax deduction.

Example:

Jane incurs £3,000 of mortgage interest on her buy to let during 2017/18.

There will be an allowable deduction of 75% of this which equates to £2,250, plus a reduction in her income tax liability of £150 (£750 x 20%).

The phasing out period will then continue as follows:

- 2018 to 2019 - 50% finance costs full deduction and 50% given as a basic rate tax reduction
- 2019 to 2020 - 25% finance costs full deduction and 75% given as a basic rate tax reduction
- 2020 to 2021 - all financing costs will be given as a basic rate tax reduction





## Example: Current rules

Jean has an annual salary of £60,000 and taxable rental income of £8,000. Therefore total taxable income of £68,000 taxed as follows (assuming that in 2020/21 the personal tax allowance is £12,000 and the basic rate band is £38,000):

£12,000 at 0%	0
£38,000 at 20%	£7,600
£18,000 at 40%	£7,200
<b>Total tax</b>	<b>£14,800</b>



# Same scenario when applying new rules

If we assume that Jean's interest expense is £6,000, we add this back to the rental profit giving taxable rental income of £14,000 and total taxable income of £74,000:

£12,000 at 0%      £0

£38,000 at 20%    £7,600

£24,000 at 40%    £9,600

Total tax            £17,200

Less tax relief on interest: £6,000 at 20% = £1,200

Total tax            **£16,000**

Increase in tax due to basic rate restriction: £1,200



# Basic Rate Deduction

The basic rate tax reduction on the portion of finance costs not deducted in calculating the profit will be calculated as 20% of the lower of the:

- the remaining finance costs (as seen)
- profits of the property business in the tax year
- total non-savings income that exceeds the personal allowance
  
- any excess finance costs may be carried forward to following years if the tax reduction has been limited to 20% of the profits of the property business in the tax year



# What are the options for Landlords ?



- Sell the rental properties
- Transfer ownership, for example to a spouse who's a basic rate taxpayer
- Transfer the property into a limited company (stamp duty land tax, Capital Gains Tax, new mortgage)
- Do nothing and suffer the tax increase

# Rental property in limited company

- Control ownership and how much income you withdraw
- Children or grandchildren shareholders of the company
- More retained profits for next purchase
- Corporation tax at 20%/19%/18%

## Down sides:

- Stamp duty land tax on transfer, if applicable
- ATED – annual tax charge on enveloped dwellings
- Difficulties obtaining mortgage
- Double tax charge
  - CT on profits and IT on dividends



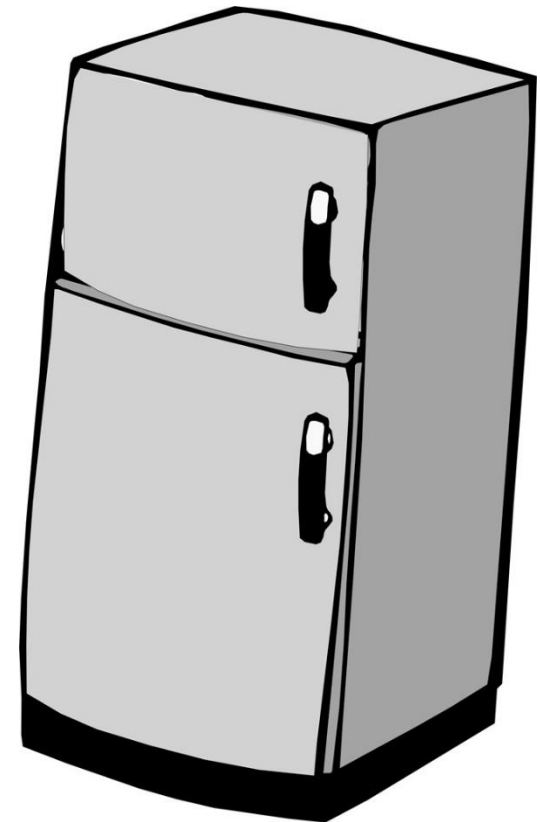
# Wear and Tear Allowance

- Announced in the Summer budget that the wear and tear allowance for furnished lettings would be abolished.
- HMRC have now published a consultation document which “seeks views on replacing the wear and tear allowance with a new relief that allows a deduction for the actual costs of replacing furnishings in let residential properties.”
- Currently wear and tear allowance applies to furnished lettings only
- The new allowance will be available to landlords of furnished, part furnished and unfurnished lettings



The new allowance will give relief for the items covered by the wear and tear allowance, but only when replacements are purchased. Items covered include:

- movable furniture or furnishings, such as beds or suites
- televisions
- freestanding fridges and freezers
- carpets and floor coverings
- curtains
- linen
- crockery or cutlery
- beds and other furniture







- New relief - cost of the replacement less any proceeds from sale of second hand item.
- If replacement asset has an improvement element then relief will only be given for the value of the replacement element.

### HMRC example:

Replacing a washing machine with a washer dryer is an improvement. If the washer dryer cost £600, and the cost of buying a new washing machine like the old one would have been £400 then the replacement furniture relief will be £400 (£600 less the £200 that represents the difference in cost between a washing machine and the washer dryer)



- The repairs regime will remain unchanged
- Integral fixtures that are not normally removed by the landlord in the event of a sale, such as baths, washbasins, toilets, boiler and fitted kitchen units – these will still be deductible as a repair
- Lose the confusion between furnished and unfurnished
- The changes are not applicable to those with furnished holiday lettings or commercial property lettings. The current capital allowances regime will still apply in these cases



# Comparison

EXPENDITURE	Current Rules		From April 2016	
	Furnished	Unfurnished	Furnished	Unfurnished
Carpet	Wear & tear	No relief	Actual cost	Actual cost
Freestanding fridge	Wear & tear	No relief	Actual cost	Actual cost
Redecoration	Repair	Repair	Repair	Repair
Replace boiler	Repair	Repair	Repair	Repair
Curtains	Wear & tear	No relief	Actual cost	Actual cost
Fitted kitchen unit	Repair	Repair	Repair	Repair
Bath	Repair	Repair	Repair	Repair
Roof repair	Repair	Repair	Repair	Repair



# Private Residence Relief (PRR)

- Capital gains tax relief when you sell a property that you have occupied as your main residence
- Capital gains tax is reduced by principle private residence relief
- Relief given for periods of deemed occupation halved to 18 months last year
- PPR election
- Lettings relief, up to £40,000 per person





**Green&Co**  
ACCOUNTANTS AND TAX ADVISORS

# Tax Tips

- Split investments with spouse
  - Deed of Trust Beneficial Ownership, Form 17
- Enterprise Investment Scheme (EIS)
  - Take out cash for purchase and capital gains exemption
  - Defer capital gains tax on gains
  - Income tax relief at 30% current year or carry back to previous year
- Pension contributions and gift aid – increase BR band



Thank you for your attention

Any questions?



