

## Buy-to-let landlords action required

Buy-to-let landlords need to start considering their options, in particular, those who have borrowed heavily in order to build their property portfolio.

As we have mentioned previously in this newsletter, from April 2017 deductions for finance charges will be progressively reduced and replaced by a 20% tax credit. This will promote a number of landlords into the higher rates of Income Tax and increase most buy-to-let landlords' tax bills where annual finance charges are significant.

Consider Jane. She has purchased a number of buy-to-let properties and her total rental income is £120,000 a year. Her expenses, excluding mortgage and loan interest are £15,000 and her mortgage interest £85,000. Jane has no other income.

Her Income Tax bill for 2016-17, based on these figures, is estimated to be £1,800 leaving her with disposable income from her property business of £18,200.

With no changes in her rents and expenses her Income Tax bill will gradually increase until 2020-21 (when the changes to tax relief on finance charges are fully implemented). Her tax bill for 2020-21 will increase to £13,500, leaving Jane with a much reduced disposable income of £6,500.

Landlords affected need to start to consider their options now. There are a number of practical changes that could be made. For example, Jane could:

- increase rents,
- introduce savings to repay loans and therefore reduce interest charges,
- dispose of properties that are not pregnant with capital gains.

If you have borrowed heavily in order to build your buy-to-let business, better to consider your options now than to be forced into less effective restructuring as the transitional period progresses.

For further information or advice please phone inBOS on 01543 624 036 or email: [accounts@inbos.co.uk](mailto:accounts@inbos.co.uk).