

Residential letting to get more difficult

Draft legislation released in July contains more bad news for those renting out residential property.

The Finance Bill 2018/19 draft legislation published just before the summer holidays has confirmed the following measures:

- From 6 April 2019, the rules for rent-a-room relief (which exempts up to £7,500 a year of income from tax) will be revised. A new 'shared occupancy test' means the relief will no longer apply if the entire property is rented out for the tenancy period. This will mean an end to going on holiday and letting out your home tax-free during sporting events, such as Wimbledon.
- From 1 March 2019, the window for filing and paying stamp duty in England will shrink to just 14 days from the date of sale. Past experience suggests Scotland and Wales will follow suit.
- From 6 April 2020, for residential property sales giving rise to taxable gains, a tax return must be made and the capital gains tax (CGT) paid within 30 days of the sale. Any adjustments would then need to be made via a self-assessment return.

Over the past few years, the Treasury has turned its attention to the private rented sector. As such, landlords must already comply with several new rules, including: the wear-and-tear allowance for furnished lettings being replaced with a tighter expenditure-based regime; the phased replacement of full income tax relief on finance interest costs with a basic rate tax credit; a 3% stamp duty surcharge for second residential properties; and an 8% capital gains tax surcharge on residential property.

The number of new buy-to-let sales is dropping, and some landlords are looking to sell following the changes. A consultation paper published by the government in July proposes minimum tenancy agreement terms of three years which may stimulate fresh landlord sales before the new CGT rule bites.

If you are thinking of moving in or out of this investment area, do talk to us about your options before taking any action.

The value of your investment can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance. The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.