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Viewpoint

Tax changes impacting Buy to Let landlords
If you own a property portfolio you need to know about changes to tax relief.

The £1m Inheritance Tax allowance
An allowance that will add £175,000 to each parent’s main residence nil-rate band.

The value of mortgage advice
Five reasons why our advice can be invaluable when it comes to helping you find the right mortgage.

Tax changes impacting Buy to Let landlords

The way landlords can claim tax relief on their mortgage finance costs has changed.

To talk about mortgage options for your Buy to Let investments get in touch.

Up until 5 April 2017, landlords could deduct mortgage interest from their rental income before calculating how much tax they should pay. Now, however, tax relief on Buy to Let mortgage interest will gradually be reduced.

The restrictions will be phased in over the next three years, resulting in tax relief only being available at the basic rate of income tax (currently 20%) from April 2020:

Tax relief on finance costs	2016/17	2017/18	2018/19	2019/20	2020/21
Old system	100%	75%	50%	25%	–
New system	–	25%	50%	75%	100%

Wear and Tear allowance has changed

Landlords of only fully-furnished residential properties used to be able to claim tax relief for wear and tear on furnishings. This changed in April 2016, when the 'Wear and Tear' Allowance was replaced with a relief that enables all landlords of residential dwelling houses to deduct the costs they actually incur on replacing furnishings in the property, such as:

- sofas
- televisions
- fridges and freezers
- carpets and floor-coverings
- curtains
- crockery or cutlery
- beds and other furniture

The initial purchase of furniture, furnishings, appliances and kitchenware is not eligible for the tax relief.

How will the changes impact you?

The tax relief changes can seem complicated, so it's important to take the right steps now, so that you know if and how you are affected and what you need to do to minimise the impact:

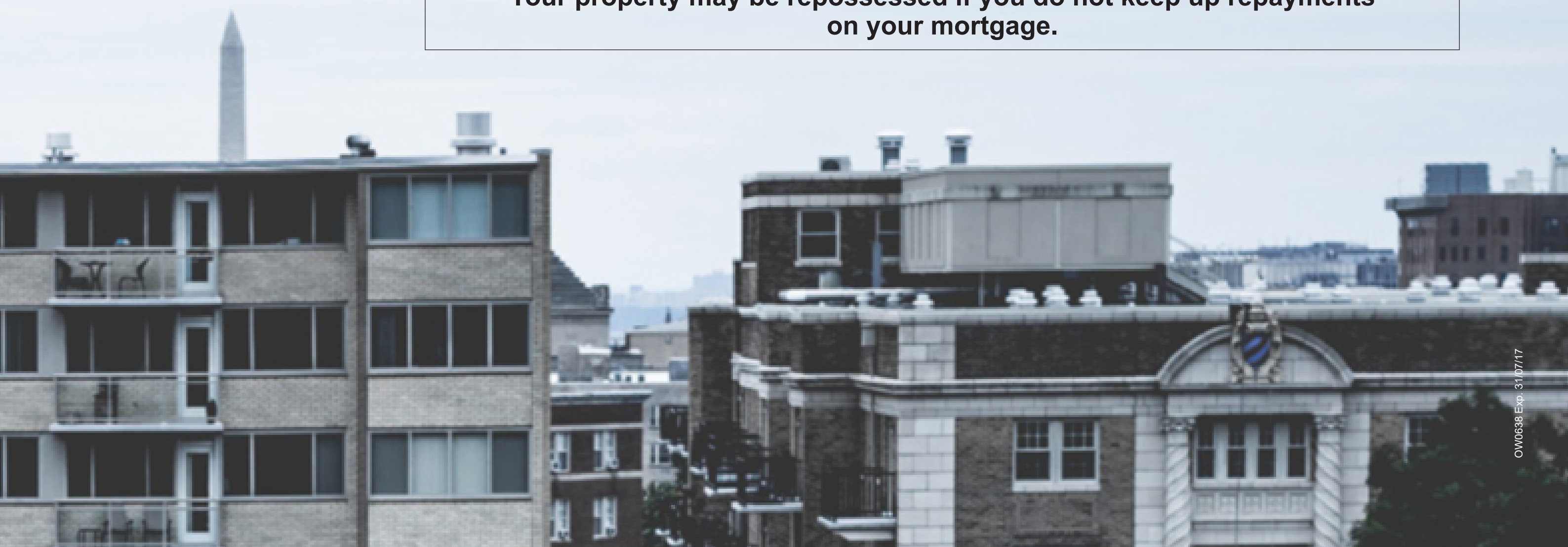
- Seek advice from a qualified tax adviser on how the new rules will affect your taxable income
- Discuss your portfolio and the best way to structure it with a qualified tax adviser
- Speak to us and we can explore whether your financial plan needs to change to accommodate any potential loss of profit from the Buy to Let changes.

This article is for information purposes only and does not constitute tax advice. It's best to seek advice from a tax expert on how the rules will affect your taxable income.

Tax information is based on our understanding of the proposed tax legislation and may be subject to change.

Some Buy to Let mortgages are not regulated by the Financial Conduct Authority.

Your property may be repossessed if you do not keep up repayments on your mortgage.



The new £1m Inheritance Tax allowance

If you would like to discuss the impact of Inheritance Tax on your financial planning please get in touch.

In the wake of the 2015 General Election, the Conservative Party confirmed it would deliver on its Manifesto promise that parents could pass their property up to the value of £1m to their children free of Inheritance Tax, thanks to a new 'family home allowance'.

The allowance is called the Resident's Nil Rate Band (RNRB) and takes effect in April 2017. By 2020/21 it effectively adds £175,000 to each parent's nil-rate band (currently £325,000) in respect of their main residence, bringing the total that may be transferred IHT-free on the second death to £1m.

Basic rules

An estate will be entitled to the RNRB if:

- the individual dies on or after 6 April 2017
- they own a home, or a share of one, so that it is included in their estate for Inheritance Tax
- their direct descendants, such as children or grandchildren, inherit the home or a share of it
- the value of the estate is not more than £2m *(estates valued at more than £2m the RNRB (and any transferred RNRB) will reduce by £1 for every £2 over the £2m taper threshold. This means that in the tax year 2020 to 2021, an individual would not be entitled to the RNRB if their estate is worth more than £2,350,000.)*

An estate will also be entitled to the RNRB when an individual has downsized to a less valuable home or sold or given away their home after 7 July 2015, provided the deceased left the smaller residence or assets of equivalent value to direct descendants.

The RNRB allowance

The maximum amount of RNRB will increase every tax year as follows:

Tax year at death	RNRB
2017/18	£100,000
2018/19	£125,000
2019/20	£150,000
2020/21	£175,000

For later years, the amount of the RNRB will increase in line with the Consumer Prices Index.

Any unused RNRB can be transferred to the deceased's spouse / civil partner's estate. This can also take place if the first of the couple died before 6 April 2017 (even though the RNRB wasn't available at that time).

The definition of direct descendant

For RNRB purposes, a direct descendant of a person is:

- a child, grandchild or other lineal descendant of that person
- a spouse or civil partner of a lineal descendant (including their widow, widower or surviving civil partner)
- a child who is, or was at any time, that person's step-child
- an adopted child of that person
- a child who was fostered at any time by that person
- a child where that person is appointed as a guardian or special guardian for that child when they're under 18

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Example case studies

Mr A dies in the tax year 2020 to 2021 and leaves a home worth £300,000 and other assets worth £190,000 to his children.

- The maximum available RNRB in tax year 2020 to 2021 is £175,000.
- The RNRB that applies is £175,000 (the lower of the home value or £175,000)
- The Inheritance Tax Nil Rate Band (NRB) is £325,000

Estate value	£490,000
Less RNRB	£175,000
Remaining estate value	£315,000
Less NRB	£315,000*
Value that IHT is due on	£0

*£10,000 of NRB is unused and can be transferred to spouse.

Mrs B dies in the tax year 2020 to 2021 leaving a flat worth £100,000, and other assets of £400,000 to her son. She leaves the rest of her assets of £500,000 to her husband; these are exempt for IHT purposes.

- The maximum available RNRB in tax year 2020 to 2021 is £175,000.
- The RNRB that applies is £100,000 (as it is the lower of the home value or £175,000)
- The Inheritance Tax Nil Rate Band (NRB) is £325,000

Estate value	£500,000
Less RNRB	£100,000*
Remaining estate value	£400,000
Less NRB	£325,000
Value that IHT is due on	£75,000

*£75,000 of RNRB is unused and can be transferred to spouse.

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The value of mortgage advice

With so many mortgage lenders offering their products on the high street and online, it can be tempting to cut out the middleman and 'go direct'.

When you're making such a huge financial commitment, the guidance you can get from a qualified mortgage adviser can be invaluable.

Here are five reasons we can make a difference:

1. We know what a good deal looks like

It's easy to underestimate the costs involved when buying a property or remortgaging. An attractive rate may appear good value, but this could change once you factor in things like fees and loan conditions.

We will compare a wide range of lenders and thousands of mortgages on your behalf looking beyond the headline rate so that you understand how the length and type of loan will affect how much you pay over the longer term. We'll highlight any additional costs you should be aware of (like administration fees, booking fees and valuation costs).

2. We know the market

If your mortgage needs or circumstances are 'out of the ordinary', you may find it more difficult to find a mortgage. We have knowledge of lenders' criteria and can save you time and hassle as you search for a suitable lender.

3. We can do the hard work for you

Selecting the right mortgage is just the start. We will work with you to complete the necessary paperwork, liaise with solicitors, valuers and surveyors on your behalf, and help make the process as smooth as possible.

4. We are professionally qualified

Unlike many branch and telephone-based mortgage sellers in banks and building societies, we are able to advise you on a broad range of lenders and products. This means you benefit from genuine choice coupled with quality advice.

5. We look beyond the mortgage

We consider the bigger picture when it comes to advising you on your mortgage. For example, we can help you safeguard your home by recommending products that can financially protect you and your family, should the unexpected happen. We can also recommend providers that can help with other elements of the home-buying process, including solicitors, surveyors and insurance providers.

And, if you want us to, we can stay in touch with you to make sure your mortgage and protection arrangements remain appropriate for your needs.

Conveyancing and surveying are not regulated by the Financial Conduct Authority.

Whether you're looking for a mortgage on your first home or dream home, we can help.

Your home may be repossessed if you do not keep up repayments on your mortgage.

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