

**The webinar will
begin shortly.**



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CHANGES TO BUY TO LET TAX RELIEF



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Important Information

- These slides reflect our current understanding of the regulatory, tax and legal position which may change.
- Each applicant's circumstances are different and they will need to seek specialist legal and tax advice on their position and what is best for them. We, and you as an adviser, are unable to provide advice on that.
- All examples featured within this presentation are provided for illustrative purposes only. None are intended to advise and Tax advice should be sought by the customer where appropriate.

Complex buy to let

**Buy to let is
'beautifully complicated',
let's simplify it.**



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Why is this important for you and your customers?



Regulatory changes



Illustrative examples



Making complex simple

Your customers need your support



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Centre of influence



Mortgage adviser



Accountant



Lawyer



Tax adviser



Letting agent

Trading company & SPV: where to find tax advice

How to find a tax adviser

- ICAEW
- Association of Chartered Certified Accountants
- Chartered Institute of Taxation
- AAT
- Association of Taxation Technicians

Tax advisers' qualifications

They'll either be a chartered or certified accountant (ACA or ACCA) having specialised in tax, or be a Chartered Tax advisor (CTA)



Introduction: What has happened?



What does this mean for you? **Your customers need your support.**

Which buy to let owners are affected?



**Individual
landlords**



Partnerships / LLP's



Limited companies



**Trustees or
beneficiaries**

of trusts who incur finance
costs in respect of UK or
overseas residential property



**All landlords
– your clients**

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Buy to let owners need to understand

How?

Seeking specialist tax advice rather than an accountant – how do you come into the fold?

Who?

Large proportion of landlords don't use a tax adviser.
Landlords have not yet seen the full impact of the interest relief changes.

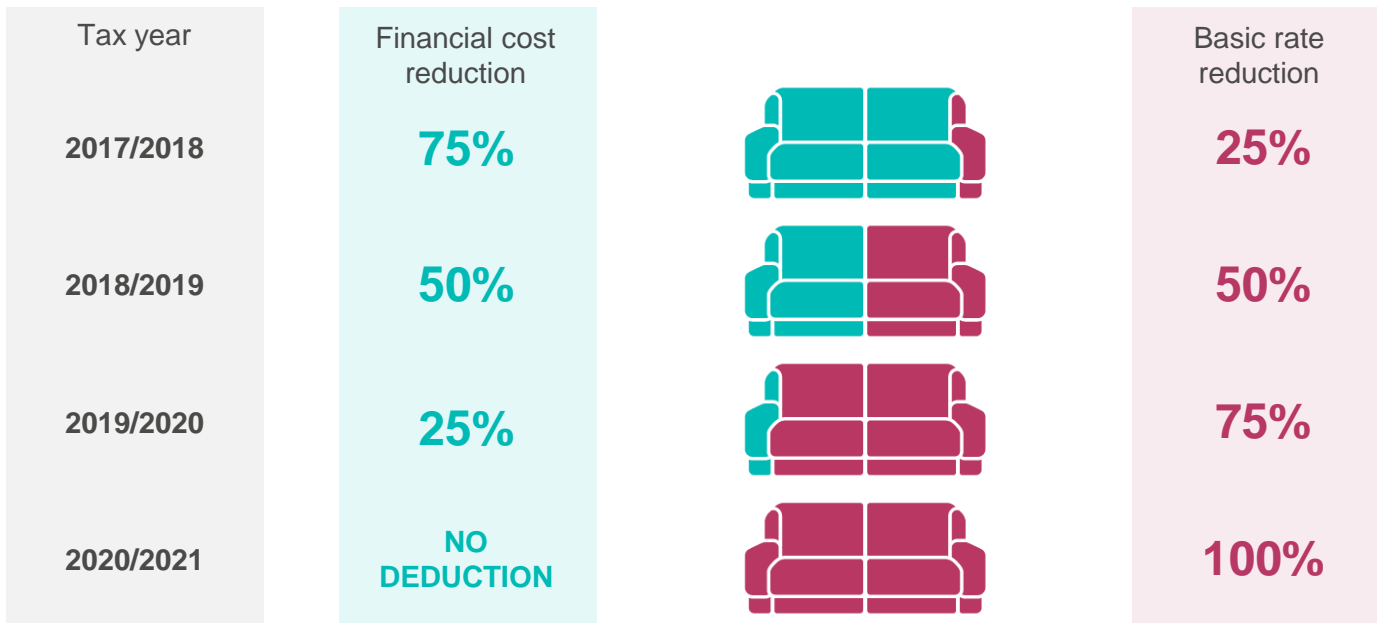
What?

Do these changes impact their portfolio?
What are the next steps?

Your customers need your support



Current rule: Mortgage tax relief



Key implications for landlords



Capital gains



**Annual tax
on enveloped
dwellings (ATED)**



Inheritance tax



**Income tax
& corporation tax**



**Stamp duty
land tax (SDLT)**
land and buildings
transaction tax

Landlords need to consider the tax liabilities on their cash flow and profitability

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| Property value | First time buyer | | New mover | | Buy to let investor | |
|----------------|------------------|-------|----------------|-------|---------------------|---------|
| | Before changes | Today | Before changes | Today | Before changes | Today |
| £125k | £0 | £0 | £0 | £0 | £3,750 | £3,750 |
| £250k | £0 | £0 | £2,500 | £0 | £10,000 | £7,500 |
| £500k | £10,000 | £0 | £15,000 | £0 | £30,000 | £15,000 |

NB. Tax is calculated on the amount in bands shown and not at the same rate for the total purchase price.

<https://www.gov.uk/guidance/stamp-duty-land-tax-buying-an-additional-residential-property>

Tax – buy to let mortgages

Mrs. E Customer,
works in IT,
£157,000 per year.

- 45% tax payer
- £2 million portfolio
- £1.2 million mortgage

| | 2015/2016 | 2020/2021 | Tax |
|--------------------------------|-----------|-----------|---------|
| Income/rent | £80,000 | £80,000 | |
| Wear and tear | (£8,000) | n/a | |
| Less loan interest (3%) | (£36,000) | n/a | |
| Taxable profit | £36,000 | £80,000 | |
| Tax at 45% | £16,200 | £36,000 | |
| Less interest at 20% | n/a | (£7,200) | |
| Total tax | £16,200 | £28,800 | £12,600 |
| Profit | £27,800 | £15,200 | |

Example for illustrative purposes only. It's not intended to advise. Tax advice should be sought where appropriate.

Tax – LTD CO BTL SPV

2% interest rise

Rent increases 5% per annum
(£12,000 approx).

£1.2m at 5% = **£60,000**

| | |
|-----------------------------|-----------|
| Income/rent | £92,000 |
| Taxable profit | £92,000 |
| Tax at 45% | £41,400 |
| Less interest at 20% | (£12,000) |
| Total tax | £29,400 |
| Profit | £2,600 |

Downwards profit change in 4 years (£25,200)

Example for illustrative purposes only. It's not intended to advise. Tax advice should be sought where appropriate.

Tax – LTD CO BTL SPV

2% interest rise

Tax year 2021/2022

Rent increases 5% per annum
(£12,000 approx).

£1.2m at 5% = **£60,000**

| | |
|-------------------------------|----------|
| Annual rent | £92,000 |
| Interest at 5% | £60,000 |
| Taxable gross profit | £32,000 |
| Corporation tax at 19% | (£6,080) |
| Net profit | £25,920 |

First £2,000 tax free

NB. Shareholders may not need to pay income tax on the first £2,000 in dividends they receive. The first £2,000 won't always be tax free, it will depend on what other dividend income shareholders have.

Example for illustrative purposes only. It's not intended to advise. Tax advice should be sought where appropriate.

Tenants

Tenants in common

Tenants in common can **split the beneficial share** of the property for example: **99/1** or **60/40**

On sale the residual funds **will be split according** to their beneficial **share of the property**

On death, the share of the deceased will not automatically pass to the surviving owner(s) but **will follow a Trust Deed or the deceased's wishes in their will**



Joint tenants

Joint tenants will hold the property **equally**

On sale the residual funds will be split **equally**

On the death of one owner the property **will pass to the surviving owner(s)**

Form 17



HM Revenue
& Customs

Joint property and income

Reference

Please use these if you write or call. It will help to avoid delay.

National Insurance number

Issued by

Notice of declaration of beneficial interests in joint property and income

If you and your husband or wife or civil partner live together, we normally treat income from property held in joint names as if it belonged to the two of you in equal shares. Each of you is taxed on half the income. This rule applies even if you own the property in unequal shares.

- However, if you hold property jointly and
- you actually own the property in unequal shares, and
 - you are entitled to the income arising in proportion to those shares, and
 - you want to be taxed on the actual basis
- you may make a declaration on this form, and we will tax the income on the 'actual basis'. Before you fill in this form, please read the notes below.

Income

- You cannot make a declaration
- unless the property and income are actually held by you in unequal shares. You cannot simply choose to have the income taxed on an unequal basis because you think it would be to your advantage
 - about income that is earned income (or, like furnished holiday lettings, treated as earned income)
 - about income from a trade or profession that you and your husband or wife or civil partner carry on in partnership
 - from 6 April 2004, about income arising from shares held in a close company (broadly, a company controlled by no more than five people)
 - about income which for tax purposes is treated as the income of a third party, even if the income arises from property held in the joint names of you and your husband or wife or civil partner.

Property

For the purposes of this declaration, property includes land and buildings and investments of any kind.

Bank and Building Society accounts

You cannot make a declaration about investments in which you and your husband or wife or civil partner invest as 'joint beneficial owners'. In such accounts each

owner is equally entitled to the whole account, and any income from it is paid to both parties jointly.

All bank/building society accounts are held on this basis.

If you have changed your investments from the 'joint beneficial owners' basis to some other basis, for example by way of a deed, please attach evidence.

Beneficial interest

You may not be familiar with the meaning of beneficial interest in property and income. You should seek professional advice if you are in any doubt about

- your beneficial interest in property held in joint names
- your beneficial interest in income from such property
- whether you should complete this form and sign the declaration.

Although we can explain the practical effects of completing this form, we cannot help you to determine beneficial interests.

If the address shown above is wrong please correct it in the box below.

Address

Postcode

For official use only

Date received / / Declaration accepted Initials

Date stamp

17

HMRC 02/06

husband and wife or civil partners *You may be prosecuted if you make a false statement*

just reflect the facts about your shares in each property and the income from it. Property separately, even if you share them all in the same proportions. For example, if you jointly own a property you must make a separate entry for each company. If you have more than five entries you should ask me for extra forms. Both of you must sign and date it.

| Property | Beneficial interest in the property itself | Beneficial interest in any income arising |
|------------------------------|--|---|
| spouse A/ civil partner A | % share | spouse A/ civil partner A |
| spouse B/ civil partner B | | spouse B/ civil partner B |
| spouse A/ civil partner A | % share | spouse A/ civil partner A |
| spouse B/ civil partner B | | spouse B/ civil partner B |
| spouse A/ civil partner A | % share | spouse A/ civil partner A |
| spouse B/ civil partner B | | spouse B/ civil partner B |
| spouse A/ civil partner A | % share | spouse A/ civil partner A |
| spouse B/ civil partner B | | spouse B/ civil partner B |
| spouse A/ civil partner A | % share | spouse A/ civil partner A |
| spouse B/ civil partner B | | spouse B/ civil partner B |

If the details above correctly state our beneficial interests in the property described, and the property is held in our joint names,

spouse A/civil partner A

spouse B/civil partner B

/ /

If following details if you know them

If no.

Keep a copy of this declaration for your records. If this declaration you must return it to me within 60 days of the date you both sign and date it. It then be effective from the date you signed the form. You cannot make a back-dated

It remain in force until (but only until) your interests in the property or income change, or you as a married couple or civil partners. If your circumstances change you must tell me in this completed form, and any extra forms, to the office address shown overleaf.

Buy to let expenses

| | | | | |
|---------------------|-----------------|----------------------|-------------------------|-----------------------------|
| Buildings insurance | Light and heat | Cleaning | Gardening | Security |
| Ground rent | Service charges | Council tax | Repairs and maintenance | Replacements |
| Redecorating | Small tools | Legal fees | Accountants' fees | Debt collection fees |
| Other insurances | Management fees | Letting agents' fees | Travel | Advertising for new tenants |

How we can help



Maximum of **four directors**



Personal guarantees not required
for non-director shareholders



Up to six bedrooms/units
considered as standard



20 accepted within group



First-time landlords welcome



Day one remortgages available



No minimum income



Affordability based
on **rental cover only**

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Golden triangle

Underwriting and sales team

The broker



Dawn Mirfin
Group underwriting director



Alan Kimber
Regional Sales
Manager, South



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Summary

- We encourage all brokers to read this guide to support their knowledge and understanding
- Have you got a relationship with a local, or national, tax specialist?
- Speak to lenders who deal with complex buy to let scenarios
- New landlords should seek specialist advice
 - purchase in personal names, or via a limited company
- Existing landlords should seek specialist advice
 - transfer of existing property into a limited company

Your customers need your support





Can we help you?

Get in touch for more information about our products and criteria.

Email: brokers@krbs.com

Phone: **01634 835791**

Website: krfi.co.uk

Live chat available on website

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Thank you for listening



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