



Property Taxation for Buy to Let.

It is important to remember that not all Buy to Lets are the same. The tax liability is related to how the situation is categorised.

The three different types of letting are detailed below with guidance on taxation for each type.

• Renting a room in your own home.

You are entitled to £7500 tax free earnings if you are renting a room in your own home (this is halved if you are a couple). You would however not be entitled to any tax relief on expenditure relating to the rental i.e. Utility Bills. Anything over £7500 would be taxable.

If your total rental income is more than the tax free allowance you can either:

- Pay tax on the excess without taking off any expenses
OR
- Declare the full income and expenses and then pay tax on the difference, however if you take this approach you will not be entitled to the rent a room tax free amount.

• Property to rent either furnished or unfurnished.

To work out your tax liability you would need to calculate your total income and then subtract all allowable expenses. If your total rental income is more than your expenses you are taxed on the difference at the highest rate of tax that applies to you as a person.

Remember your rental profit is added to any and all other income you may have.

If the expenses are more than the income unfortunately there is nothing you can do to offset that difference unless you have another property of the same type.

In other words if you make a loss on a rental property it cannot be subtracted from any other tax liability you have. You can only offset it against the tax liability of another property of the same type or wait until you make a profit in later years.

• Furnished Holiday Lets (FHL)

There are special rules for furnished holiday lettings which allow you to claim a special type of tax relief known as 'Entrepreneur relief' when the property is sold. You would only pay 10% tax!

For a property to be classified as an FHL it must be within the UK or EU, be available for holiday rental for 210 days or more and actually let for 105 days or more.

Whatever your situation you must register to complete a tax return and maintain records of all income and expenditure relating to your rental. Remember if you are selling a property you may be liable for Capital Gains Tax at 18% or 28%. See our Capital Gains Tax Guide for more guidance.



Property Taxation is a complicated and confusing area. For more guidance call me – Graham Carson on 01235 868888 or email: gcarson@incauk.biz