

How To Reduce Landlord Taxes

Tax Saving Tips to Help Boost Your Property Profits!

By

Arthur Weller, Sarah Bradford & Amer Siddiq

Publisher Details

This guide is published by Tax Portal Ltd. 3 Sanderson Close, Great Sankey, Warrington, Cheshire, WA5 3LN.

'How to Reduce Landlord Taxes' – First published in May 2009. Second Edition April 2010. Third Edition July 2010. Fourth Edition April 2011. Fifth Edition April 2012. Sixth Edition April 2013. Seventh edition May 2014. Eighth edition April 2015. Ninth Edition April 2016. Tenth Edition April 2017. Eleventh Edition April 2018. Twelfth Edition March 2019. Thirteenth Edition May 2020. Fourteenth Edition April 2021. Fifteenth Edition April 2022. Sixteenth Edition April 2023. Seventeenth Edition April 2024. Eighteenth Edition May 2025. Nineteenth Edition May 2026.

Copyright

The right of Sarah Bradford, Arthur Weller and Tax Portal Ltd to be identified as the authors of this guide has been asserted in accordance with the Copyright, Designs and Patents Act 1988, England.

© 2009-2026 Arthur Weller, Sarah Bradford and Tax Portal Ltd

A CIP Copy of this book is available from the British Library.

978-1-0682376-2-1

All rights reserved

All rights reserved. No part of this guide may be reproduced or transmitted in any form or by any means, electronically or mechanically, including photocopying, recording or any information storage or retrieval system, without prior permission in writing from the publisher.

Permission is granted to print a single hardcopy version of this guide for your personal use only.

Trademarks

Property Tax Portal, Tax Portal Ltd and other Tax Portal Ltd services/ products referenced in this guide are registered trademarks or trademarks of Tax Portal Ltd in the UK and/or other countries.

Disclaimer

1. This guide is produced for General guidance only, and professional advice should be sought before any decision is made. Individual circumstances can vary and therefore no responsibility can be accepted by the authors or the publisher Tax Portal Ltd, for any action taken, or any decision made to refrain from action, by any readers of this guide.
2. Tax rules and legislation are constantly changing and therefore the information printed in this guide is correct at the time of printing – May 2026.
3. Neither the authors nor Tax Portal Ltd offer financial, legal or investment advice. If you require such advice then, we urge you to seek the opinion of an appropriate professional in the relevant field. We care about your success and therefore encourage you to take appropriate advice before you put any of your financial or other resources at risk. Don't forget, investment values can decrease as well as increase.
4. To the fullest extent permitted by law, the authors and Tax Portal Ltd do not accept liability for any direct, indirect, special, consequential or other losses or damages of whatsoever kind arising from using this guide.

The guide itself is provided 'as is' without express or implied warranty.

5. The authors and Tax Portal Ltd reserve the right to alter any part of this guide at any time without notice.

Contents

1.	<i>About The Authors.....</i>	<i>14</i>
1.1.	Sarah Bradford – Tax Specialist	14
1.2.	Arthur Weller - Tax Specialist	14
1.3.	Amer Siddiq - The Landlord	15
1.4.	Acknowledgements	15
2.	<i>The Importance Of Tax Planning.....</i>	<i>16</i>
2.1.	Knowing When To Consider Planning	16
2.1.1.	Buying.....	16
2.1.2.	Repairs And Refurbishment.....	17
2.1.3.	Selling.....	17
2.1.4.	Life Changes.....	18
2.1.5.	Politics	18
2.1.6.	End And Start Of The Tax Year	18
2.2.	The Real Benefits Of Tax Planning	19
2.2.1.	Paying Less Tax.....	19
2.2.2.	Clear ‘Entrance’ And ‘Exit’ Strategies	19
2.2.3.	Staying Focused.....	19
2.2.4.	Improving Cash Flow	20
2.2.5.	Avoiding Common Tax Traps	20
2.3.	Asking HMRC For Tax Advice	20
2.3.1.	Making Use Of HMRC Services	20
2.3.2.	The Drawback.....	21
2.3.3.	Practical Tip.....	21
3.	<i>Landlords’ Obligations Under MTD for ITSA.....</i>	<i>22</i>
3.1.	Nature of MTD for ITSA	22
3.2.	MTD-Compatible Software	22
3.3.	No Change to Underlying Tax Rules	23
3.4.	Finding Your Start Date	23
3.4.1.	Start date 1: 6 April 2026.....	23
3.4.2.	Start date 2: 6 April 2027.....	24
3.4.3.	Start date 3: 6 April 2028.....	24
3.4.4.	Qualifying income	24
3.4.5.	Exemptions	26
3.4.6.	Signing Up For MTD for ITSA Voluntarily.....	26
3.5.	Keeping Digital Records	26
3.6.	Making Quarterly Returns	28

3.7.	Final Declaration	29
3.8.	Late Submission Penalties	29
3.9.	Late Payment Penalties	29
3.10.	Timetable For 2026/27 And 2027/8	30
3.11.	Final Points	30
3.12.	Invest In Landlord Software	30
4.	<i>Understanding Your Tax Liabilities</i>	31
5.	<i>Income Tax Liabilities For Investors/Traders</i>	34
5.1.	Property Investor	34
5.2.	Property Traders/Dealers	34
5.3.	Income Tax Rates	34
5.4.	Income Tax Calculation Case Studies	35
5.4.1.	Income Tax Calculation For Property Investors	35
5.4.2.	Income Tax Calculation For Property Developers	37
6.	<i>Owning Properties As A Sole Trader</i>	39
6.1.	Buying Properties As A Sole Trader	39
6.2.	When Is It Tax Efficient To Buy Property As A Sole Trader?	39
6.3.	When Is It NOT Tax Efficient To Buy Property As A Sole Trader?	40
6.4.	A Note About Selling Properties When Operating As A Sole Trader	40
7.	<i>Legal v Beneficial Ownership: A 'Taxing' Distinction!</i>	41
7.1.	Legal And Beneficial Ownership	41
7.2.	Legal Ownership	41
7.3.	Beneficial Ownership	41
7.4.	Analogies	42
7.5.	Tax Implications	42
7.6.	Tax Complications	42
7.6.1.	Income Tax	42
7.6.2.	Capital Gains Tax	42
7.6.3.	Inheritance Tax	43
7.6.4.	Practical Tip	43
8.	<i>Offsetting Interest Charges From 6th April 2017</i>	44
8.1.	The New Rules	44

8.2.	The Restrictions	44
8.3.	Relevant Residential Property Lets	44
8.4.	What A Property Business May Consist Of	44
8.5.	Calculation Of The Basic Rate Reducer	45
9.	<i>Offsetting Different Types Of Interest Charges</i>	46
9.1.	Interest On Mortgages	46
9.2.	A Note About ‘Interest Only’ And ‘Repayment Mortgages’	46
9.2.1.	Interest Only Mortgage	46
9.2.2.	Repayment Mortgage	47
9.3.	Interest On Personal Loans	47
9.3.1.	Loan Used For Providing Deposit	48
9.3.2.	Loan Used For Refurbishments/Developments	48
9.3.3.	Loans Used For Purchasing Products	49
9.3.4.	Loans To Continue The Running Of Your Business	50
9.3.5.	Interest On Overdrafts	50
9.4.	Interest On Re-Mortgages	51
10.	<i>‘Wholly And Exclusively’</i>	54
10.1.	Understanding The Term ‘Wholly And Exclusively’	54
10.2.	What If Cost Is Not Wholly And Exclusively Incurred For Property?	54
10.3.	Costs Of Maintenance And Repairs	55
10.4.	Typical Maintenance/Repair Costs	56
10.5.	The Big Misconception About Costs When A Property Is First Let?	56
10.5.1.	Allowable Expenses	56
10.5.2.	The Test	56
10.5.3.	A Cinema	56
10.5.4.	A Ship	57
10.5.5.	Is Your Property A Cinema Or A Ship?	57
10.6.	Capital Improvements	57
11.	<i>Replacing Your Fixtures And Fittings</i>	59
11.1.	What Are Fixtures And Fittings?	59
11.2.	Replacing Fixtures And Fittings	59
11.2.1.	Like-For-Like Replacement	60
11.2.2.	What If It Is Not Possible To Replace With Like-For-Like?	60
11.2.3.	Like-For-Like Replacement But With Capital Improvements	61
11.2.4.	Replacement With Superior Fixture And Fittings	61
12.	<i>Other Ways To Reduce Your Income Tax Bill</i>	62
12.1.	Rents, Rates, And Insurance	62

12.1.1.	Rents	62
12.1.2.	Rates	62
12.1.3.	Insurance.....	62
12.2.	Can I Offset Pre-Trading Expenditure?	63
12.3.	Carrying Over Rental Losses	63
12.4.	Claiming Travel Costs	64
12.4.1.	‘Wholly And Exclusively’	64
12.4.2.	Office Based At Home.....	64
12.4.3.	Office Outside Of Home	65
12.4.4.	Use Of A Letting Agent.....	65
12.4.5.	Relevant Tax Cases.....	65
12.4.6.	How Much To Claim?	65
12.4.7.	Misc. Travel Costs	66
12.4.8.	Foreign Travel.....	66
12.4.9.	Expenses When Not Available For Letting	66
12.5.	General Property Costs	66
12.6.	Storage Costs	67
12.7.	Other Common Landlord Expenditures	67
12.8.	Can I Offset The Cost Of A Property Seminar?	68
12.9.	Capital Allowances For Landlords	69
13.	<i>Running Your Property Business From Home</i>	70
13.1.	Nature Of Relief	70
13.2.	Typical Fixed Costs	70
13.3.	Insurance	71
13.4.	Council Tax	71
13.5.	Mortgage Costs	71
13.6.	Rent	71
13.7.	Repairs And Maintenance	72
13.7.1.	Practical Tip.....	72
14.	<i>Tenant Deposits: Traps & Tips.....</i>	73
14.1.	Deposits From Tenants	73
14.2.	Security Deposits	73
14.3.	Holding Deposit	74
14.3.1.	Practical Tip.....	75
14.4.	Tax Treatment Of ‘Gifted Deposits’?	75

14.4.1.	Gifted Deposit Schemes.....	75
14.4.2.	Tax Treatment.....	76
14.4.3.	Practical Tip.....	76
15.	<i>Cash Basis For Landlords.....</i>	77
15.1.	Introduction.....	77
15.2.	Cash Basis Vs Accruals Basis.....	77
15.2.1.	Nature of the Cash Basis.....	77
15.2.2.	Nature Of The Accruals Basis	78
15.3.	Cash Basis Eligibility	78
15.4.	Election Not To Use The Cash Basis	79
15.5.	Relief For Revenue Expenses	79
15.6.	Relief For Capital Expenditure	79
15.7.	Joining Or Leaving The Cash Basis	80
15.8.	Planning Tips.....	80
16.	<i>Property Partnerships and Joint Ownership.....</i>	82
16.1.	Introduction to Tax Treatment of Jointly Owned Property	82
16.2.	Is There A Partnership?.....	82
16.2.1.	The Legal Definition Of A Partnership.....	82
16.2.2.	HMRC's Approach To Determining Whether A Partnership Exists	83
16.2.3.	Case Study 1 – Letting of Jointly-Owned Property: Is There A Partnership?	85
16.3.	Formation And Dissolution Of A Partnership	85
16.3.1.	When Does The Partnership Commence?.....	85
16.3.2.	The Partnership Agreement	85
16.3.3.	Dissolution Of A Partnership.....	86
16.3.4.	Case Study 2 – Dissolution Of A Partnership – Is A New Partnership Created?.....	86
16.3.5.	Change Of Partners – Partnership Treated As Continuing For Tax Purposes.....	86
16.4.	Taxation Of Partnership Profits	87
16.4.1.	Separate Property Rental Businesses	87
16.4.2.	Separate Property Rental Businesses	87
16.5.	Why Form A Property Partnership?	88
16.5.1.	Case Study 3 – Advantages Of A Property Partnership.....	88
16.6.	Joint Ownership Outside A Partnership.....	89
16.6.1.	Joint Tenants And Tenants In Common.....	90
16.6.2.	Joint Tenants	90
16.6.3.	Tenants In Common.....	90
16.7.	Joint Owners Who Are Not Spouses Or Civil Partners	90
16.7.1.	Default Position – Profits And Losses Allocated In Ownership Shares	90
16.7.2.	Case Study 4 – Profits Allocated In Ownership Share.....	91

16.7.3.	A Different Allocation	91
16.7.4.	Case Study 5 – Allocation Other Than In Relation To Ownership Shares	91
16.8.	Joint Owners Are Spouses And Civil Partners	92
16.8.1.	Default Position – Profits And Losses Allocated 50:50	92
16.8.2.	Case Study 6 – Income Allocated 50:50	92
16.8.3.	Case Study 7 – Taking Advantage Of The 50:50 Income Allocation Rule	92
16.8.4.	Putting Property In Joint Names To Take Advantage Of The 50:50 Income Allocation 93	
16.8.5.	Case Study 8: Putting Property In Joint Name To Take Advantage Of 50:50 Income Allocation Rule	93
16.8.6.	Unequal Ownership Shares And A Form 17 Election	94
16.8.7.	Case Study 9 – Benefits Of Making A Form 17 Election	95
16.8.8.	Holiday Lets And Form 17 Elections	95
16.9.	Other Tax Considerations	95
16.9.1.	Capital Gains Tax	96
16.9.2.	Case Study 10 – Making Use Of The No Gain/No Loss Rule Prior To Sale	96
16.9.3.	SDLT, LBTT And LTT	97
16.9.4.	Inheritance Tax	97
17.	<i>Should Landlords Operate Through A Limited Company</i>	98
17.1.	Pros And Cons Of Operating Through A Limited Company	98
17.1.1.	Advantages	99
17.1.2.	Disadvantages	101
17.2.	Incorporating An Existing Property Business	102
17.2.1.	Stamp Duty Land Tax (SDLT)	102
17.2.2.	Capital Gains Tax (CGT)	102
17.2.3.	Incorporation Relief	103
17.2.4.	Disclaim Incorporation Relief Where No CGT Payable	103
17.3.	Case Study 1 – Transferring Property Business To A Limited Company ..	103
17.3.1.	SDLT	104
17.3.2.	Capital Gains Tax	104
17.3.3.	Summary	105
17.4.	New Landlords – Setting Up a Property Limited Company	105
17.5.	Taxation of Company Profits	105
17.5.1.	Accruals Basis	106
17.5.2.	Deduction For Expenses	106
17.5.3.	Deduction For Mortgage Interest And Other Finance Costs	106
17.6.	Taxation Of Capital Gains	107
17.7.	Extracting Profits From The Company	107
17.7.1.	Salary	107
17.7.2.	Dividends	108
17.7.3.	Other Ways Of Extracting Funds From The Company	109
17.7.4.	Leave Profits In The Company	109
17.8.	Annual Tax On Enveloped Dwellings (ATED)	109
17.8.1.	Nature Of The ATED	109

17.8.2.	Relief For Qualifying Property Rental Businesses	110
17.8.3.	Amount Of Charge.....	110
17.9.	Property Management Companies	111
17.10.	Property Limited Company V Unincorporated Property Business	111
17.10.1.	Case Study 2 – Landlord Is A Basic Rate Taxpayer.....	111
17.10.2.	Unincorporated Property Business.....	111
17.10.3.	Property Company	112
17.10.4.	Observations	113
17.11.	Case Study 3 – Landlord Is A Higher Rate Taxpayer	113
17.11.1.	Unincorporated Property Business.....	113
17.11.2.	Property Company: Low Profits	113
17.11.3.	Case Study 4: Company Benefits from Marginal Relief.....	114
17.11.4.	Case Study 5: High Profits.....	114
17.11.5.	Final Thoughts	115
18.	<i>Saving On Stamp Duty.....</i>	116
18.1.	When Do Property Investors Pay Stamp Duty?	116
18.1.1.	Stamp Duty When Buying New Land Or Property.....	116
18.1.2.	First-Time Buyers Relief (FTB)	117
18.1.3.	Stamp Duty When Transferring A Property	117
19.	<i>Tax-Free Income For Renting Out Part Of Your Home</i>	118
19.1.	What Is The Rent-A-Room Relief?	118
19.2.	Choosing Not to Use The Relief	119
19.3.	Renting Out In Joint Ownership	120
20.	<i>Tax Tips For Landlords Renovating Properties</i>	121
20.1.	Investment Vs Trading	121
20.1.1.	Investment Properties.....	121
20.1.2.	Trading.....	121
20.1.3.	Property Purchased As A Residence.....	121
20.1.4.	The Impact Of Intention.....	122
20.2.	Buying The Renovation Property: SDLT	122
20.3.	Relief For The Costs of Doing Up The Property	122
20.3.1.	Revenue V Capital Expenditure.....	123
20.3.2.	Repairs – Relief For Revenue Expenses	123
20.3.3.	Capital Expenditure	123
20.3.4.	Extensive Alterations To The Property.....	124
20.3.5.	Repairs To A Dilapidated Property – The Capital Expenditure Trap	124
20.3.6.	Splitting Expenditure Between Capital and Revenue	124
20.3.7.	Relief For Capital Expenditure – Cash Basis.....	125
20.3.8.	Relief For Capital Expenditure – Accruals Basis.....	125
20.3.9.	Relief For Capital Expenditure – Capital Gains.....	125
20.3.10.	Relief For Pre-Letting Expenditure.....	126
20.3.11.	Work Undertaken While Rental Property Is Empty.....	126
20.4.	VAT	126

20.5. Selling The Property	126
20.5.1. Selling An Investment Property.....	126
20.5.2. Property Development – Taxing the Profit On Sale	127
20.5.3. Selling The Main Residence	127
20.6. Converting A Property Into Flats - Case Studies	127
20.6.1. Case Study 1 – House Converted By A Developer Into Flats For Sale	128
20.6.2. Case Study 2 – Landlord Converts Rental Property To Flats For Let.....	128
20.6.3. Case Study 3 – Homeowner Converts House To Flats Prior To Sale.....	129
20.6.4. Case Study 4 – House Converted Into Flats, One Sold, One Lived In As A Home.	130
21. Understanding Capital Gains Tax (CGT)	132
21.1. When You Are Liable To Pay CGT	132
21.2. How Your CGT Bill Is Calculated	133
22. Reporting And Tax Payment Changes From 6th April 2020	135
22.1. When May A Residential Property Gain Arise?	135
22.2. Higher Tax Rates For Residential Property Gains	135
22.3. Reporting Pre-6 April 2020 Residential Property Gains	135
22.4. Rules From 6 April 2020	136
22.5. Requirement To Make A Payment On Account	136
22.6. Calculating The Payment On Account	136
22.7. Finalising The Position	136
23. Private Residence Relief (PPR)	138
23.1. What Is Private Residence Relief?	138
23.1.1. Full Residence Relief.....	138
23.1.2. Partial Residence Relief.....	139
23.2. How Long In A Property Before It Can Be Classed As My PPR?	139
23.3. More Insight Into What Makes A PPR	140
23.3.1. Practical Tip.....	141
23.4. Private Residence CGT Exemption - How To Lose It!	141
23.5. Private Residence Relief – When Relief May Be Restricted	142
23.5.1. Restriction 1 – Use For Purpose Of A Trade, Business Profession Or Vocation.....	142
23.5.2. Restriction 2 – Change Of Use	144
23.5.3. Restriction 3 – Development Gains	144
24. Increasing Property Value And Avoiding Tax	146
24.1. No CGT On The First 24 Months Of Ownership	146
25. Nominating Residence To Avoid CGT	148

25.1.	Having More Than One Family Home	148
25.2.	Nominating Your Residence to HMRC	148
26.	<i>Other Ways To Reduce Your CGT Bill</i>	150
26.1.	Using Your Annual CGT Allowance	150
26.2.	Capital Losses	152
26.3.	Buying And Selling Costs	153
26.4.	Selling At The Right Time Can Save You Tax!	153
27.	<i>Advanced Strategies For Avoiding CGT</i>	155
27.1.	How To Claim An Additional Three Years Of PPR	155
27.2.	Claiming PPR When Working Overseas	156
27.3.	Claiming PPR When Re-locating In The UK	156
27.4.	CGT Implications Of Providing Property To Dependent Relatives	157
28.	<i>Inheritance Tax Considerations For Landlords</i>	158
28.1.	Introduction To IHT Considerations	158
28.2.	Nature of IHT	158
28.2.1.	Nil Rate Band	158
28.2.2.	Transferable Nil Rate Band	158
28.2.3.	Case Study 1; Transferable Nil Rate Band	159
28.2.4.	Residence Nil Rate Band	159
28.2.5.	Exemption For Gifts To Spouses And Civil Partners	160
28.2.6.	Potentially Exempt Transfers	161
28.2.7.	Gifts Out Of Income	161
28.2.8.	Annual Exemption	161
28.2.9.	Other Exempt Gifts	162
28.2.10.	Business Property Relief	162
28.2.11.	Agricultural Property Relief	163
28.2.12.	Making Use Of Exemptions And Relief	164
28.3.	Benefits Of Making A Will	164
28.3.1.	Intestacy Provisions	164
28.3.2.	Surviving spouse or civil partner and surviving children	164
28.3.3.	Surviving spouse or civil partner but no children	165
28.3.4.	No Surviving Spouse Or Civil Partner But Children	165
28.3.5.	No Surviving Spouse, Civil Partner or Issue	165
28.3.6.	No Living Relatives	165
28.3.7.	Case Study 2 – Operation Of The Intestacy Rules	165
28.3.8.	Post-Death Variation	166
28.3.9.	Case Study 3 - Post-Death Variation	166
28.4.	Jointly Owned Property	167
28.4.1.	Joint Tenants	167
28.4.2.	Tenants in Common	167

28.5.	Making Use Of The Nil Rate Bands	168
28.5.1.	Leave Property Up To £325,000 To Non-Spouse/Civil Partner	168
28.5.2.	Case Study 4 – Utilise The Nil Rate Band	168
28.5.3.	Don't Waste The RNRB	169
28.6.	Make Lifetime Gifts	169
28.6.1.	Gifts And CGT	169
28.6.2.	Case Study 5 – CGT Gift Trap	170
28.6.3.	Potential Double Charge	170
28.6.4.	Case Study 6 – IHT and CGT Trap	170
28.6.5.	Beware The Gifts With Reservation Rules	170
28.6.6.	Pre-Owned Assets Rules	170
28.7.	Is BPR Available?	171
28.8.	Consider A Trust	171
28.8.1.	Discretionary Trust	171
28.8.2.	Nil Rate Band Trust	172
28.9.	Property Companies And Growth Shares	172
28.10.	Providing For The IHT Bill	172
28.10.1.	Make Gifts From Income	172
28.10.2.	Take Out A Whole Life Policy	173
29.	<i>Mixed Portfolios And Mixed-Use Property</i>	174
29.1.	Introduction To Mixed Portfolios and Mixed-Use Property	174
29.2.	Relief For Interest and Finance Costs	174
29.2.1.	Unincorporated Landlords: Mixed-Use Properties	175
29.2.2.	Case Study 1: Unincorporated Landlords: Mixed-Use Properties	175
29.2.3.	Unincorporated Landlords: Mixed Portfolios	176
29.2.4.	Case Study 2: Unincorporated Landlords: Mixed Portfolios	176
29.2.5.	Case Study 3: Unincorporated Landlords: Mixed Portfolios – Apportionment	176
29.2.6.	Corporate Landlords	177
29.3.	Stamp Duty Land Tax (SDLT) Implications	177
29.3.1.	SDLT and Mixed Portfolios	177
29.3.2.	Case Study 4: SDLT and Mixed Portfolios	178
29.3.3.	SDLT And Mixed-Use Properties	178
29.3.4.	Case Study 5: SDLT And Mixed-Use Properties	179
29.4.	Capital Gains Tax Implications	179
29.4.1.	Capital Gains Tax And Mixed-Use Properties	179
29.4.2.	Case Study 6: Capital Gains Tax And Mixed-Use Properties	180
29.4.3.	Capital Gains Tax and Mixed Portfolios	180
29.4.4.	Case Study 7: Capital Gains Tax and Mixed Portfolios	180
30.	<i>How To Better Manage Your Landlord Taxes</i>	180