

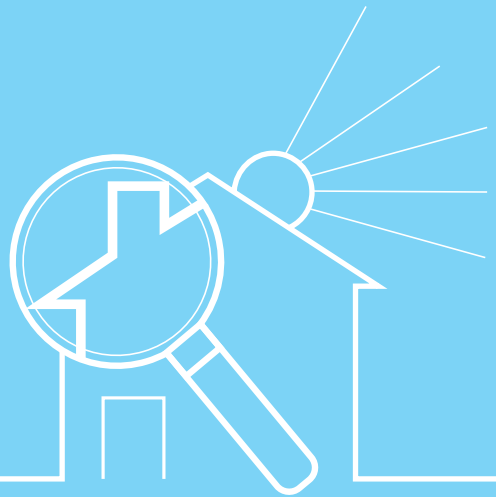
# Preparing for the changes ahead.



# The Buy-to-Let market is changing.

**Over the next few years a number of changes are to be phased in that could have a significant impact on the investment plans of landlords like you.**

We have created this booklet to help you understand how the changes could affect you.



# An introduction to the changes.

Market changes could impact both the short-term performance and long-term prospects of your buy-to-let investment. Here's a summary of how they might affect you.

## Short-term performance

Some of the biggest changes you'll face will be the level of Income Tax you need to pay and how much you are allowed to deduct as expenses. Together these adjustments could make a lot of difference to how you manage your investment.

## Long-term strategy

When you decide to sell your property you could find that changes to Stamp Duty will make it more difficult if you are selling to another landlord. Capital Gains Tax could also affect how much return you can expect from selling your property and, changes to mortgage lending criteria could make remortgaging much more difficult.

**For more detailed information on how these changes could affect you personally, please turn to an accountant or independent financial adviser for guidance.**

**For more information, call our dedicated team today on 0330 159 4436\* or find help online at [www.nram.co.uk](http://www.nram.co.uk)**

# Understanding the short-term changes.

Changes coming through over the next few years will affect landlords. As a result you may have to pay more tax on your rental income, while the amount you can deduct as expenses could go down. So it is worth understanding now what the financial implications could be for you in the future. A qualified accountant can help you see exactly how these changes could affect you.



## **Reduced Income Tax relief on your mortgage interest**

Currently landlords are able to offset the full value of their mortgage interest payments against their rental income when they calculate their profits. However, from April 2017, this will begin to be phased out. By April 2020, the tax relief that can be claimed will be limited to the basic rate of income tax of 20%. The HMRC website has guidance and a range of scenarios to illustrate what this change could mean for you. Please see Page 11 for details of useful websites.

## **Wear & Tear allowance changes**

Until now, landlords of fully furnished properties have been able to automatically deduct 10% of their rental income as notional wear and tear. The new changes mean they will only be able to claim tax relief on the costs they have actually incurred. You will need to include this information in your tax returns. You can find more information on the allowance changes at [gov.co.uk](http://gov.co.uk) and then search for wear and tear.

## **Welfare reform**

The government has been steadily reducing welfare entitlement, including housing benefit and local housing allowance. A benefits cap has also been introduced, which can affect how much can be claimed, particularly in more expensive areas such as London and the South East. With reduced benefits available to tenants, rental affordability and therefore landlord incomes could well be affected.

**For more details on the tax changes  
visit [www.gov.uk](http://www.gov.uk) and then search  
for landlord tax.**

# How the changes may affect your long-term investment strategy.

As soon as your mortgage term comes to an end you will need to repay the outstanding balance of your mortgage in full. That's why it is really important that you understand the impact the buy-to-let market changes could have on your investment exit strategy.



## Increased Stamp Duty on property purchases

Anyone buying a second or subsequent property will now need to pay an additional 3% in Stamp Duty regardless of the property value bands. As well as making it more expensive for you to buy additional property, it's a change that could make other people, such as other landlords, think twice about doing the same.

## Capital Gains Tax to be paid within 30 days of sale

From 2019 you will no longer be able to defer payment of Capital Gains Tax and must pay this within 30 days of selling a property. This could potentially reduce the amount of cash available to you after you have sold a property and could therefore limit your options for re-investment.

## Changes to lenders' criteria

The Prudential Regulation Authority (PRA) has introduced more stringent affordability assessments, which will be standardised across the industry.

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# Repaying your mortgage.

In addition to the new tax changes, if all or part of your mortgage is on Interest Only you will also need to consider how to repay your mortgage at the end of its term. You might want to consider some of these options.





## Finding a new mortgage deal

Whilst we are unable to offer you a new mortgage deal ourselves, we might be able to help you find a suitable mortgage with a new lender. Our independent online DealFinder tool at [nram.co.uk](http://nram.co.uk) allows you to search the mortgage market. Alternatively, we'd be happy to put you in contact with a free, independent mortgage broker that can provide you with impartial, expert advice about what mortgage deals are available.

## Making regular overpayments

Using any surplus rental income or income from another source to make regular overpayments can prove an effective way of gradually reducing your mortgage balance and Loan To Value (LTV). Our online Overpayment Calculator at [nram.co.uk](http://nram.co.uk) will show you the positive effect even modest overpayments can make on your remaining mortgage balance and the amount of interest you pay over the term of your mortgage.

## Switching to a Repayment mortgage

You might consider switching your Interest Only mortgage to Repayment, in order to repay it entirely by the end of its term. Our online calculator can show you the effect that switching to Repayment would have on your mortgage and how much your monthly payments will increase by as a result.

**We understand that switching your entire mortgage to Repayment might not be affordable. If so, you could consider switching part of your mortgage. Call us to find out more.**

**For more information, call our dedicated team today on 0330 159 4436\* or find help & tools online at [www.nram.co.uk](http://www.nram.co.uk)**

# Helping you whatever your situation.

We want you to be prepared for the changes ahead.

If you are worried about your mortgage repayment strategy, call our dedicated team today on 0330 159 4436\*. We will guide you through your options and help you work out the best strategy to fit your circumstances.

## Don't forget

If you want to know more about the tax changes, and how they could affect you personally, or need more information, you may wish to turn to an accountant or independent financial adviser for guidance. You could look for more information online. To help, here are some websites you may find useful.



## For Tax information

Government services and tax information  
HMRC

**gov.uk**  
Go to **gov.uk** and search for HMRC.

## For Buy-to-Let landlord information

B2L Investment success

**b2lonline.co.uk**

## General information websites

Citizens Advice

**citizensadvice.org.uk**

Citizens Advice (Scotland)

**cas.org.uk**

Association of Residential Letting Agents

**arla.co.uk**

## National / Regional landlords associations

National Landlords Association

**landlords.org.uk**

Residential Landlords Association

**rla.org.uk**

Guild of Residential Landlords

**landlordsguild.com**

Scottish Association of Landlords

**scottishlandlords.com**

Landlords Association for Northern Ireland

**lani.org.uk**

Landlord Accreditation Wales

**welshlandlords.org.uk**

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# Additional resources to help you.



## If you want to find a new mortgage deal

Our online DealFinder tool allows you to search the mortgage market for new deals, including Fixed Rate mortgages.



## If you want to make overpayments

Use our online Overpayment Calculator to see the positive effect even a modest monthly overpayment can have.



## If you want to switch to a Repayment mortgage

The online Switch to Repayment Calculator will show what your new repayments would be, and how much you could save in interest over the term of your loan.



## If you're worried about a rise in interest rates

Our online Rate Rise Calculator will help you see how different rates could affect your monthly payments.

**For more information, call our dedicated team today on 0330 159 4436\* or find help online at [www.nram.co.uk](http://www.nram.co.uk)**

\*Calls may be recorded for monitoring and training purposes. Charges for calling 03 numbers are the same as for calls made to standard UK landline phone numbers starting 01 or 02 and are also included in bundled minutes and unlimited call packages.

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