



# Buy-to-let

Arm yourself with as much knowledge as possible before you buy

Investing in buy-to-let property has become popular in recent years, what do you need to know before you become a buy-to-let landlord?

As a landlord, you should look at a buy-to-let property as a long-term investment. But before you jump in and start looking for a property to buy, remember there's far more to it than picking a suitable location and type of property for the tenants you want to attract. You'll be running a business, and what you really need to do first is arm yourself with as much knowledge as possible about buying a rental property and the associated costs.

## DO YOUR RESEARCH

It's essential to do your research before taking out a buy-to-let mortgage to purchase a rental property. You also need to be confident that your rental income will comfortably cover your mortgage and all your other expenses. A buy-to-let mortgage is a mortgage for purchasing residential property with the specific aim of letting it to tenants. The rules around buy-to-let mortgages are similar to those around regular mortgages, but there are some key differences.

## TAX MATTERS

There are various taxes to pay on a buy-to-let property. The rent you receive from your property will be taxed at your relevant tax band (bear in mind this could push you into the next band up). However, you can deduct some costs against the amount of tax you pay. These costs include letting agent fees, buildings and contents insurance, council tax, and utility bills (if you pay them on behalf of the tenant) and essential maintenance such as a roof repair or new boiler.

Since April 2016, landlords letting furnished properties are now no longer able to claim 10% 'wear and tear' costs against their tax bill. Instead, they can only claim for the actual costs of any damage or repairs. From April 2017, relief on mortgage interest has also been capped for all landlords at the basic rate of 20%. The reductions will be fully completed by 2020.

## STAMP DUTY

Landlords now have to pay an additional 3% on every Stamp Duty band when buying 'additional properties' which includes buy-to-let properties. This applies to all investment property costing over £40,000 – that's lower than the £125,000 starting threshold for residential homes. The 3% Stamp Duty is also charged on the entire property price.

## TABLE OF RATES FOR BUY-TO-LET PROPERTIES

Properties over the £40,000 threshold pay the full 3% on the entire band from £0.

RATE	PROPERTY PRICE
0%	Up to £40,000
3%	Over £40,000 and under £125,000
5%	Over £125,000 and under £250,000
8%	Over £250,000 and under £925,000
13%	Over £925,000 and under £1,500,000
15%	Over £1,500,000

Source: HMRC



## COMPETITIVE MARKET RATES

Buy-to-let mortgage rates can be higher than residential mortgages due to the additional risk for lenders. As a result, you can often expect to pay 1% to 2% more in interest. However, there are plenty of competitive rates on the market that we can review with you. The larger your deposit will typically mean the better the interest rate you'll be able to get, with more attractive rates available to people with deposits in excess of 40%. The smallest deposit you can get a buy-to-let mortgage with is typically 20% depending on the lender, although your choice of products will be limited, so expect to have a deposit of 25% or above. Buy-to-let mortgage schemes available include fixed-rate and variable-rate.

### REQUIRE FURTHER INFORMATION?

We can help you with your mortgage needs. Whether you're a new client or we've previously arranged a mortgage for you, please contact us to discuss your requirements.

THINK CAREFULLY BEFORE SECURING OTHER  
DEBTS AGAINST YOUR HOME.  
YOUR HOME MAY BE REPOSSESSED IF YOU DO  
NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.