Revenue Expenses Checklist for UK Residential Landlords

Taxes can be complicated, especially when it comes to deductions. Use this handy checklist to see if you've missed anything on your tax return.
At the end of the checklist you'll find some general tax considerations and frequently asked questions about the more complicated elements of tax deductions.

Interest and Finance Charges

These charges and fees can be declared as revenue expenses if they were incurred to obtain money and insurances for the properties that you let out:

- Interest payable on business borrowings
- Allowable mortgage and loan interest relief
- Overdraft charges
- Credit cards
- Mortgage arrangement fees
- Loan arrangement fees
- Bank charges incurred on accounts used solely for business

Accountancy, Legal and Professional Fees

If you use an accountant for your property business or you incur legal fees due to property and tenant disputes, you may claim these as revenue expenses:

- Accountancy fees
- Bookkeeping fees
- Legal fees for tenancy matters including evictions and disputes
- Letting agent fees
- Legal fees associated with arranging a business mortgage
- Debt collection fees for collection of missed rent

Insurance and Service Charges

Service charges made solely for your rented properties or solely for the benefit of your tenants are tax deductible, these include:

- Property insurance
- Public liability insurance
- Contents insurance for furnished properties
- Ground rents where applicable
- Council tax when paid by the landlord
- Electrical safety certificates
- Gas Safety Certificates
- Landlord licences where applicable
- Water rates where applicable and if paid by the landlord
- Gas where applicable and if paid by the landlord
- Electricity where applicable and if paid by the landlord
- Wages for gardeners and cleaners if they are in the rental agreement and used only for rental properties

Advertising and Marketing

If you are advertising your property company to attract investment, or you're advertising vacant properties, all expenses incurred are deductible including:

- Newspaper advertising
- Mail shots
- Leaflets
- The costs of hosting and maintaining a website
- The cost of any online advertising incurred when promoting your business or properties

Motor and Travel Expenses

If you are travelling for business reasons, the expenses you incur can be declared on your tax return as a revenue expense. Examples of travelling for work include:

- Tenant visits
- Visiting the letting agent
- Viewings
- Accountant visits
- Visiting the solicitors
- Property maintenance

You can deduct the cost of your travel no matter how you've travelled, including the use of taxis, trains, busses, cars, motorbikes and air fare for foreign property visits or purchases.

If your trip is for business purposes and requires you to stay in a hotel overnight or eat food away from home, you can claim those costs as revenue expenses too.

Repairs or Renewals

There are rules around what counts as a repair or a betterment. You must be careful to claim only for revenue expenses and not capital expenses. There's more on repairs, betterments and revenue vs capital expenses at the end of this checklist. If you need to repair one of your rental properties or renew a part of it, you can claim these as revenue expenses:

- Property repairs – if it's a like for like repair and an expense was incurred
- General maintenance – like for like repairs and replacements
- Skip hire
- Cleaning
- General labour

Office Costs

If you run your properties from home, you can claim certain office costs – provided they are used solely and exclusively for the purposes of running your business.

- Telephone costs of your business landline or business mobile
- Stationery costs like envelopes, stamps, printing costs
- Technical books and publications you buy that are relevant to your property business
- Fax machine costs
- Internet costs
- Small computer equipment including property management software

If you run your property business from home you may claim some of your household bills as revenue expenses. This can effect the capital gains tax position on your home, so you should get detailed advice on this unless using the government's simplified expenses allowance for home working.

Furnishings

You can claim revenue expenses for the replacement of furnishings in your rental properties on a like for like basis. You must have incurred a cost for replacing the item and it must not be considered a betterment. You can read more on this at the end of the checklist. These are the types of replacement you can claim for:

- Any moveable furniture, like wardrobes, shelving units, bookcases, etc.
- Furnishings like carpets and curtains
- Household appliances like white goods, TVs and other electrical items
- Kitchenware like crockery and cutlery

Education

If the education you've received is relevant to your property business, you can claim the following as revenue expenses:

- Training costs
- Seminars
- Courses
- Books

Any Other Revenue Expenses

We've said it a lot but we'll say it again. Any revenue expense you have incurred solely and exclusively for your property business (excluding fines) can be declared in your tax return.

Things you Can't Claim as Revenue Expenses

- ✗ The capital repayments of any borrowings, you can only claim for the interest not the capital repayments.
- ✗ Any fines you incur, regardless of their relationship to your business, cannot be claimed as expenses, that includes things like traffic fines and government fines.
- ✗ Anything used for non-business purposes, so you can't claim your own home repairs and improvements as expenses on your tax return because they are for personal use.
- ✗ The legal costs associated with buying a property (except the legal fees for arranging a mortgage).
- ✗ The costs of settling tax disputes or fines.
- ✗ Entertaining of customers, suppliers or hospitality at events.

General Tax Considerations

- Married couples or civil partners must split rental income and expenses 50/50 for tax purposes, unless the HMRC form 17 is completed.
- Non-married joint owners can split income however they like, this is usually done on a percentage of ownership basis.
- Any net losses can be carried forward into the next year, so if last year you made a loss of £1000 that amount becomes tax deductible and should be declared in your next tax return.
- Your property rental business begins from the first day any of your properties are actually let out. If you have secondary properties that aren't for let yet, they are taxable too as your business begins when you let one property.
- Though we'll say it many times in this checklist, any expenses you declare on your tax return must be because of expenses incurred wholly for business purposes.

Frequently Asked Questions About Expenses and Tax Deductions

What is the Difference Between Revenue Expenses and Capital Expenses?

Revenue expenses mean that you've incurred expenses to make revenue. They are usually ongoing expenses like maintenance. Revenue expenses should be declared in your tax return.

Capital expenses are those you incur to increase your capital (namely the money tied up in your property). Capital expenses include things like renovations needed to make a property habitable or anything that increases the value of a property like the addition of an extension. Capital expenses should be declared when the house is sold. They can be deducted against the amount of Stamp Duty Land Tax payable.

What's Wear and Tear Allowance?

Before 2016 you were able to claim a wear and tear allowance of 10% for furnished properties. This no longer applies and is instead covered by the replacement of domestic items expenses.

What's the Difference Between a Repair and a Betterment?

Where repairs are made to the property they must be done on a like for like basis. This is in part due to the rules about capital expenses and revenue expenses. Anything you do to better a property and increase its value is considered a capital expense. Capital expenses can only be declared as an expense if calculating Capital Gains Tax when the property is sold.

For instance, if you want to build an extension on a property that doesn't currently have one, it's considered a betterment. If you need to make repairs to an existing extension you can claim the expenses you incur. There are very few exceptions to this but the one that is most commonly cited is replacement of single glazing windows with double glazing. This is technically betterment, but it is seen as incidental, because the single glazed window is being replaced with the nearest modern equivalent.

What Expenses Can I Deduct for Replacing Furniture and Furnishings?

You can claim for replacing furniture and furnishings if:

- They were part of the property when it was let out
- An expense was incurred to replace them
- The new item is solely for the use of the tenants
- The old item is no longer available
- The replacement is on a like for like basis

If you want to replace an old item with a newer item, you can still claim a partial expense. For instance, if the tenant’s sofa needs replacing and you want to replace it with a sofa bed it’s considered a betterment. If a new sofa would have cost £300 but the sofa bed is £500 then you can only claim £300 as an expense.

Don’t forget, you can also claim any costs you incur to remove and dispose of the old sofa as expenses. If in three years’ time the sofa bed needed to be replaced again, you could claim the entire cost of the replacement sofa bed (if you’re replacing it on a like for like basis).

The information contained in this checklist is meant to act as a reference and is for information purposes only, it is not intended as tax advice. For tax advice please reach out to a licenced professional.

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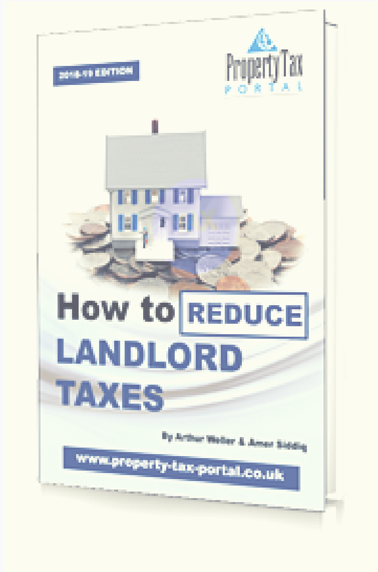

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