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# CPC Property Investor Day July 2016



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# Tax environment

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## Stamp Duty Land Tax (SDLT)

Property Price (£)	SDLT rate (%)	SDLT surcharge rate (%)
Up to 40,000	0	0
40,001 – 125,000	0	3
125,001 – 250,000	2	5
250,001 – 925,000	5	8
925,001 – 1.5m	10	13
1.5m +	12	15

## The Stamp Duty changes in action

Value £ (April 2016)	Previous SDLT (£)	SDLT post-surcharge (£)
150,000	500	5,000
250,000	2,500	10,000
350,000	7,500	18,000
450,000	12,500	26,000

## Restriction of relief on finance costs

2017 / 2018	The deduction from property income (as is currently allowed) will be restricted to 75% of finance costs, with the remaining 25% being available as a basic rate tax reduction.
2018 / 2019	50% finance costs deduction and 50% given as a basic rate tax reduction.
2019 / 2020	25% finance costs deduction and 75% given as a basic rate tax reduction.
2020 / 2021	All financing costs incurred by a landlord will be given as a basic rate tax reduction.

### N.B.

- Wear & tear
- Capital Gains charge and 30 days!



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## Assumptions\*

Property value:		£200,000
Gross yield:	(5%)	£10,000
Voids:	(5%)	£500
Expenses:	(15%)	£1,500
Debt:	(75%)	£150,000
Notional interest:	(4%)	£6,000
Profit before tax:		£2,000

## Individual tax\*

	2015 & 2016	2017	2018	2019	2020
Gross income (£)	10,000	10,000	10,000	10,000	10,000
Less voids (£)	-500	-500	-500	-500	-500
Expenses (£)	-1,500	-1,500	-1,500	-1,500	-1,500
Mortgage interest allowed (£)	(100%) 6,000	(75%) 4,500	(50%) 3,000	(25%) 1,500	(0%) -
Taxable profits (£)	2,000	3,500	5,000	6,500	8,000
Tax @ 45% (£)	900	1,575	2,250	2,925	3,600
Tax credit on disallowed (£)	-	-300	-600	-900	-1,200
Total tax due (£)	900	1,275	1,650	2,025	2,400
Profit after tax (£)	1,100	725	350	-25	-400
Effective tax rate on profit	45%	64%	83%	101%	120%

\*For illustrative purposes only

## Company tax\*

	2016	2017	2020
Gross income (£)	10,000	10,000	10,000
Less voids (£)	-500	-500	-500
Expenses (£)	-1,500	-1,500	-1,500
Mortgage interest allowed (£)	(100%) 6,000	(100%) 6,000	(100%) 6,000
PBT (£)	2,000	2,000	2,000
	20%	19%	18%
Corporation Tax	-400	-380	-360
Profit after tax (£)	1,600	1,620	1,640
Income Tax on Dividend 37.50%	-600	-608	-615
Net income	1,000	1,013	1,025
Effective tax rate on profit	50%	49%	49%

\*For illustrative purposes only

# Consultation on Underwriting standards

- Financial Policy Committee (FPC) Consultation – Underwriting standards in BTL

Stress rate	5.5%		
Cover	1.25%		
Effective IR on debt	6.88%		
Gearing	75%	70%	65%
Required yield	5.16%	4.81%	4.47%



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