Title: Have You Reviewed Your Property Portfolio Yet?
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The start of the 2017 tax year heralded the start of a new era for buy-to-let investors. With changes in legislation concerning property ownership and mortgage interest relief, it has never been more important for buy-to-let investors to review their property portfolios.
As of 6th April, new tax regulations came into force. Phased in over a four-year period, the UK government is reducing the amount of tax relief that landlords can claim, culminating in 2020 when tax relief will be replaced by a 20% tax credit.
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What Does This Mean for Investors?

The repercussions of this are significant. Whereas investors do not have to make any changes to their portfolio, they will be forced to pay more tax on the properties they own. Without an increase in their rental income, any profits gained from the property may be absorbed in tax.
Investors are strongly advised to speak to their accountant to review their portfolio and gauge the impact of the changes in tax and legislation. However, let's be clear, there are options for investors who are looking to ensure that they maintain a strong return on their investment in the forthcoming years.
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Will the Legislation Have any Unintended Consequences?

Shaun Church, a director at Private Finance, one of the UKs most reputable buy-to-let mortgage brokers, said, 'The new mortgage interest tax relief rules for landlords are threatening to become an example of the unintended consequences of government regulation.'
He goes on to say that, 'Not being able to fully deduct costs from taxable income will leave some landlords with a tax bill that outweighs any profits. As a result, many will seek to increase rental costs to compensate for their loss.'
Mr Church added, 'The changes in legislation are limiting landlord's investment appetites for sustained investment opportunities. Fewer landlords are investing in buy-to-let properties at a time of already restricted housing supply. This could result in increasing demand for rental properties and higher costs.'
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How to Avoid the Reduction in Tax Relief

What is, perhaps, the most favourable way to avoid any reduction in tax relief is for investors to purchase property through a limited company. This way, any profits will be liable for corporation tax.
However, investors that choose to take this avenue will have to pay Capital Gains Tax (CGT) when they sell the property. The Capital Gains Tax paid could absorb any profit made on the property and may even result in costing investors more than the reduction in relief itself over the next four years.
Additionally, from April 2019 investors will also be required to pay Capital Gains Tax on any profits they have accumulated within 30 days of selling the property.
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What the Experts Say

Jeremy Leaf, the former chairman of the Royal Institute of Chartered Surveyors (RICS) describes the reduction in relief as 'the biggest issue facing investors today.'
However, Mr. Leaf also stresses that there are additional changes for investors to consider, such as the loss of wear and tear relief. This means that investors can now only claim on the

actual costs spent on repairs, as opposed to a blanket 10% reduction for property wear and tear.
Lucian Cook, head of residential research at Savills believes that two-thirds of buy-to-let investors with no borrowing will remain unaffected by the changes in buy-to-let tax and legislation.
Paul Sloan, lettings operations director at Haart estate agent’s states that, ‘The widespread assumption is that landlords will seek to recoup their losses by raising property rental costs.’ He continues by saying that increased costs (and a reduction in relief) is refocusing landlords’ attention on investing in different areas of the UK in the hope of achieving a higher yield.
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The Takeaway

What’s obvious is that the changes are forcing many property investors to re-think their investment strategy. If buy-to-let landlords are more conservative with their investments, the landscape of the property rental market in the UK will change quite considerably.
However, it’s also apparent that there are options for property investors to pursue to offset the reduction in tax relief on mortgage interest payments now and over the next four years.
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