

Rental property income and expenses

Income

Income should always be declared gross, so if an agent collects rent and pays after deducting fees and other expenses, the total rent paid by tenants and all expenses need to be shown separately from each other.

Expenses

- advertising for new tenants
- cleaning
- council tax
- gardening
- gas and electricity
- ground rents and service charges
- landlord insurance
- legal fees for lets of a year or less, or for renewing a lease for less than 50 years
- letting agent fees and management fees
- maintenance and repairs to the property, but not improvements (such as an extension, or replacing a laminate kitchen worktop with a granite worktop). Renovation beyond normal wear and tear counts as 'capital' and is not allowable for income tax
- mortgage interest (not repayments) and interest on loans to finance purchase of the property may be claimed in part, but the amount is restricted. By 2021 no relief on borrowing interest will be available for basic-rate taxpayers
- phone calls, post and stationery related to letting
- replacing existing fixtures and fittings, such as radiators, boilers, water tanks, bathroom suites, and kitchens, but not electrical or gas appliances
- tax adviser's fees
- travel to rental property/managing agents etc
- water rates

Not all expenses before a first let will be allowable if the property is not in a fit state to be let unless works are done.

There are some examples of what can be claimed and what is not allowable here <https://www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-case-studies#expenses-incurred-wholly-and-exclusively-for-the-property-rental-business>

Remember that unlike your home, an investment property will not usually benefit from reliefs on sale so there is likely to be capital gains tax to pay when the property is sold. Capital expenses and improvements may be relevant at this point.

Lodger in own home

Where someone stays in your own home as a lodger, this falls under 'rent-a-room' <https://www.gov.uk/government/publications/rent-a-room-for-traders-hs223-self-assessment-helpsheet/hs223-rent-a-room-scheme-2017>

Other types of letting

There are separate rules where a property is let as a holiday home.

For taxpayers living outside the UK but renting out a property in the UK, special rules apply to the income and to any gain on sale of the property.