



BLACKTOWER FINANCIAL ADVISERS LIMITED

The Professional Forum

Residential Mortgage Update September 2006

Maximising Mortgage Tax Relief for Property Landlords

No doubt as you are already aware, in recent years the Revenue has relaxed its stance over the qualification of investment mortgage interest for tax relief.

Whereas, historically the “purpose of borrowing” was the principle factor considered by the Revenue, paragraph 45700 of the HMCR Income Manual gives Landlords the opportunity to release equity from their investment properties and offset the interest regardless of what the equity release is used for.

Under the new guidelines, the value of the property when transferred into “the lettings business” is the principle factor in determining the availability of the relief.

In practice what this means for many Landlords with existing Buy to Let (B2L) properties (or properties that have been personally owned and are now currently let) is the ability to release further equity for other purposes, for example:-

1. to reduce the residential mortgage on the principle home
2. to repay (non qualifying) unsecured loans
3. to fund school fees
4. investment diversification
5. home improvements
6. to make pension contributions with further tax breaks
7. to buy a holiday home
8. any other capital requirement

Help is on hand from mortgage lenders, many of whom have eased their lending criteria to offset the recent rise in mortgage interest rates.

New entrants to the B2L market are offering up to 90% loan to value and reduced hurdle rates for rental income of 110% of the monthly mortgage interest payable.

In short, there has never been a better time for clients to review their mortgage arrangements.

We continue to actively source and secure independent mortgage finance for the Owner Occupier and Investor. Should you have any clients, that you feel could benefit from our advice and support, please do not hesitate to contact us.

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