



Craig Whittaker MP

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Response to Taxation of Landlords – March 2017

Thank you for contacting me about changes to the taxation of landlords.

I am passionate about helping small businesses thrive and promoting a strong and thriving professional rented sector. But this needs to be balanced against the interests of the wider economy including home ownership rates, a fairer tax system and mitigating against any future risks.

The Bank of England outlined two risks from high and rising levels of household indebtedness: a direct risk to UK banking system, and an indirect risk to economic stability. The Government is working hard to restore this country's economic stability and the measures you talk about will help achieve this. With the above in mind I think it is right that the Government restricts the tax relief that landlords of residential property can get.

The current tax system supports landlords over and above ordinary homeowners, with tax relief particularly benefitting wealthier landlords with larger incomes. Every £1 of finance cost they incur allows them to pay 40p or 45p less tax.

The Changes to Mortgage Interest Relief do not tax landlords on turnover as opposed to profit. Rather, they remove mortgage interest from what is qualified as 'allowable expenses'. Maintenance and repairs (along with agents' fees, legal fees, insurance, utilities, and service charges) are all still 'allowable expenses' and thus still tax deductible.

Changes to Stamp Duty Land Tax are part of the Government's strategy to improve home ownership. It cannot be right that in many areas local people are being priced out of a home. Many second homes are cash purchases that aren't affected by the restrictions on mortgage interest relief; and many of them are bought by those who aren't resident in this country.

At the moment, letting agents are able to charge unregulated fees to tenants. For too many tenants, fees appear disproportionate to the work carried out and fees can spiral out of control. As the number of families renting grows, I welcome the announcement that letting agents' fees to tenants will soon be banned, but the policy detail must be got right. That is why I would encourage you to make your views known about letting agent fees in the upcoming consultation.

Less than 1 in 5 individual landlords are expected to pay more tax as a result of the restriction to Mortgage Tax Relief. Furthermore, this change is being introduced gradually from April 2017 over 4 years. This will give landlords time to plan for and adjust to these changes.

Thank you again for taking the time to contact me.

Kind regards,

Craig Whittaker MP