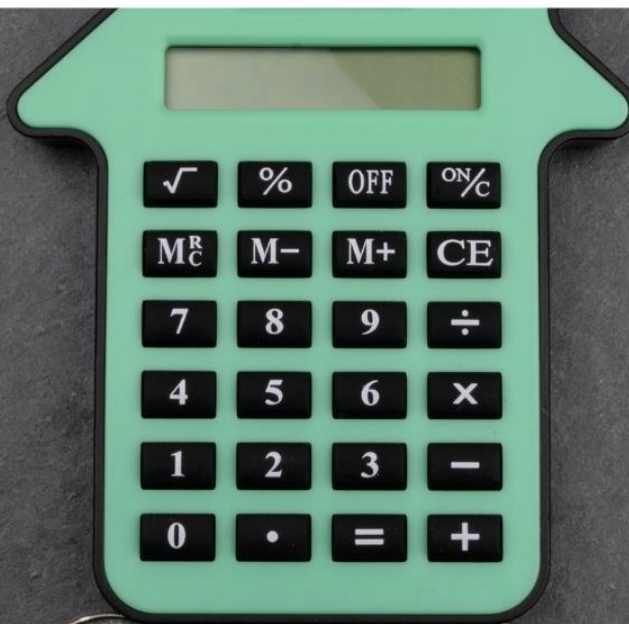


Tax Deductible Revenue Expenses Checklist

LandlordVision



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Contents

| | |
|--|----|
| Interest and Finance Charges | 4 |
| Accountancy Legal and Professional Fees | 4 |
| Insurance and Service Charges | 5 |
| Advertising and Marketing | 6 |
| Motor and Travel Expenses | 6 |
| Repairs and Renewals..... | 7 |
| Office Costs..... | 8 |
| Rental Property Furnishings (Replacement of Domestic Items Relief) | 9 |
| Education..... | 9 |
| Any Other Revenue Expenses | 10 |
| Things you Can't Claim as Revenue Expenses..... | 10 |
| General Tax Considerations..... | 10 |
| Frequently Asked Questions About Expenses and Tax Deductions | 11 |



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Taxes can be complicated, especially when it comes to deductions. Use this handy checklist to see if you have forgotten to claim any of these revenue expenses in your tax return. At the end of the checklist you will find some general tax considerations and some frequently asked questions about the more complicated elements of tax deductions.

Interest and Finance Charges

These charges and fees can be declared as revenue expenses if they were incurred to obtain money and insurances for the properties that you let out:

- Interest payable on business borrowings
- Allowable mortgage and loan interest relief*
- Overdraft charges
- Credit cards
- Mortgage arrangement fees
- Loan arrangement fees
- Bank charges incurred on accounts used solely for business purposes

***Mortgage interest relief has been changing since 2017**, make sure you know how much you are entitled to claim for the tax year you are filling in your assessment for.

Accountancy Legal and Professional Fees

If you use an accountant for your property business or you incur legal fees due to property and tenant disputes, you may claim these as revenue expenses. Examples include:

- Accountancy fees

- Bookkeeping fees
- Legal fees for tenancy matters including evictions and disputes
- Letting agent fees
- Legal fees associated with arranging a business mortgage
- Debt collection fees for collection of missed rent
- Bad debts (money owing after the landlord has done whatever possible to recover the outstanding debt and it has become evident that the money will not be recovered)

Insurance and Service Charges

Service charges made solely for your rented properties or solely for the benefit of your tenants are tax deductible. These include:

- Property insurance
- Rent guarantee insurance
- Public liability insurance
- Contents insurance for furnished properties
- Ground rents where applicable
- Council tax when paid by the landlord or in a void period
- Electrical safety certificates
- Gas safety certificates
- Landlord licences where applicable
- Water rates where applicable and when paid by the landlord
- Gas where applicable and when paid by the landlord or in a void period

- Electricity where applicable and when paid by the landlord or in a void period
- Wages for gardeners and cleaners if they are in the rental agreement and used only for rental properties

Advertising and Marketing

If you are advertising your property company to attract investment, or you are advertising vacant properties, all expenses incurred are deductible including:

- Newspaper advertising
- Mailshots
- Leaflets
- The cost of hosting and maintaining a website
- The cost of any online advertising incurred when promoting your business or properties

Motor and Travel Expenses

If you are travelling for business reasons, the expenses you incur can be declared on your tax return as a revenue expense.

HMRC's mileage rates are 45p per mile for the first 10,000 miles each year, anything over 10,000 miles can be claimed at 25p per mile. These are the simplified rates for travelling by car or van and they also account for maintenance of the vehicle. It is usually easier to claim these simplified expenses than to work out the total costs of maintenance and fuel, especially where the vehicle is also for personal use.

You can deduct the cost of your travel no matter how you have travelled, including use of taxis, trains, busses, cars motorbikes and air fare for foreign property visits or purchases.

If your trip is for business purposes only and requires you to stay in a hotel overnight or eat food away from home, you can claim those costs as revenue expenses too.

Examples of travelling for work include:

- Tenant visits or visiting to carry out an inspection
- Visiting the letting agent
- Viewings (showing a tenant around your rental property)
- Viewing a new rental property you want to buy (but only if you buy the property)
- Accountant visits
- Visiting the solicitors
- Property maintenance visits

Repairs and Renewals

There are rules around what counts as a repair or a betterment. You must be careful to claim only for revenue expenses and not capital expenses. There is more information on repairs, betterments and revenue vs capital expenses at the end of this checklist. If you need to repair one of your rental properties or renew a part of it, you can claim these as revenue expenses:

- Property repairs – if it is a like for like repair and an expense was incurred
- General maintenance – like for like repairs and replacements

- Skip hire
- Cleaning at the end of a tenancy
- General labour
- Repair or replacement of smoke or CO2 alarms
- Tools and materials required to assist with maintenance if they are used solely for your rental properties

Office Costs

If you run your properties from home, you can claim certain office costs as expenses, provided they are used solely and exclusively for the purposes of running your business.

If you run your property business from home, you may also claim some of your household bills as revenue expenses. This can affect the capital gains tax position on your home, so you should get detailed advice on this unless using the government's [simplified expenses allowance for home working](#).

Office costs you can claim as revenue expenses include:

- Telephone costs of your business landline or business mobile
- Stationery costs like envelopes, stamps, printing costs
- Technical books and publications you buy that are relevant to your property business
- Fax machine costs
- Internet costs
- Small computer equipment if it is used solely for business purposes
- Landlord and accounting software

- Membership of Landlord Associations

Rental Property Furnishings (Replacement of Domestic Items Relief)

You can claim revenue expenses for the replacement of furnishings in your rental properties on a like for like basis. You must have incurred a cost for replacing the item and it must not be considered a betterment. You can read more about this at the end of the checklist. These are the types of replacement you can claim for:

- Any moveable furniture, like wardrobes, shelving units, bookcases, etc.
- Furnishings like carpets and curtains
- Household appliances like white goods, TVs and other electrical items
- Kitchenware like crockery and cutlery

Education

If you want to improve *existing* skills relating to your property business, the costs of education can be claimed as revenue expenses. You cannot claim for these costs if they are to learn skills you don't already possess.

If the education you've received is relevant to your property business, you can claim the following as revenue expenses:

- Training costs
- Seminars
- Courses
- Books

Any Other Revenue Expenses

It has been mentioned a lot in this checklist, but it is worth repeating. Any revenue expense you have incurred solely and exclusively for your property business (excluding fines) can be declared as expenses in your tax return.

Things you Can't Claim as Revenue Expenses

- ✘ The capital repayments of any borrowings, you can only claim for the interest not the capital repayments.
- ✘ Any fines you incur, regardless of their relationship to your business, cannot be claimed as expenses, including traffic fines and government fines.
- ✘ Personal expenses. You can't claim your own home repairs and improvements as expenses because they are for personal use.
- ✘ The legal costs associated with buying a property (except the legal fees for arranging a mortgage).
- ✘ The costs of settling tax disputes or tax fines.
- ✘ Entertaining of customers, suppliers or hospitality at events.

General Tax Considerations

Married couples or civil partners must split rental income and expenses 50/50 for tax purposes, unless the HMRC form 17 is completed. Non-married joint owners can split income however they like, this is usually done on a percentage of ownership basis.

Any net losses can be carried forward into the next year, so if last year you made a loss of £1000 that amount becomes tax deductible and should be declared in your next tax return.

Your property rental business begins from the first day any of your properties are let out. If you have secondary properties that are not yet being rented out, they are taxable too as your business begins when you let one property.

Though it is repeated many times in this checklist, it should still be noted here, any expenses you declare on your tax return must be incurred wholly for business purposes.

Frequently Asked Questions About Expenses and Tax Deductions

What is the Difference Between Revenue Expenses and Capital Expenses?

Revenue expenses mean that you have incurred expenses to make revenue. They are usually ongoing expenses like property maintenance. Revenue expenses should be declared in your tax return because they are tax deductible.

Capital expenses are those you incur to increase your capital (namely the money tied up in your property). Capital expenses include renovations needed to make a property habitable or anything that increases the value of a property like the addition of an extension. Capital expenses should be declared when the house is sold. They can be deducted against the amount of Stamp Duty Land Tax payable.

What is Wear and Tear Allowance?

Before 2016 landlords were able to claim a wear and tear allowance of 10% for furnished properties. This no longer applies and is instead covered by the replacement of domestic items expenses.

What is the Difference Between a Repair and a Betterment?

Where repairs are made to the property they must be done on a like for like basis. This is in part due to the rules about capital expenses and revenue expenses. Anything you do to better a property and increase its value is considered a capital expense. Capital expenses can only be declared as an expense if calculating Capital Gains Tax when the property is sold.

If, for instance, you want to build an extension on a property that doesn't currently have one, it is considered a betterment. If you need to make repairs to an existing extension, you can claim the expenses you incur for the repairs.

There are very few exceptions to the repair and betterment rules, one that is commonly cited is replacement of single glazing windows with double glazing. This is technically betterment, but it is seen as incidental, because the single glazed window is being replaced with the nearest modern equivalent.

What Expenses Can I Deduct for Replacing Furniture and Furnishings?

You can claim for replacing furniture and furnishings if:

- They were part of the property when it was let out
- An expense was incurred to replace them
- The new item is solely for the use of the tenants
- The old item is no longer available
- The replacement is on a like for like basis

If you want to replace an old item with a newer item, you can still claim a partial expense. For instance, if the tenant's sofa needs replacing and you

want to replace it with a sofa bed it is considered a betterment. If a new sofa would have cost £300 but the sofa bed is £500 then you can only claim £300 as an expense. Don't forget, you can also claim any costs you incur to remove and dispose of the old sofa as expenses.

If in three years' time the sofa bed needed to be replaced, you could claim the entire cost of the replacement sofa bed (if you are replacing it on a like for like basis).



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