

Rental Income Tax Assessment**Restriction tax relief for mortgage interest and finance expenses****Illustration of impact on higher rate taxpayer****Tax year 2016/17**

Rental income		25,000
Allowable rental expenses	10,000	
Mortgage interest	<u>10,000</u>	
		<u>(20,000)</u>
Taxable rental income		<u>5,000</u>
Tax due at 40%		<u>2,000</u>

Tax year 2017/18

Rental income		25,000
Allowable rental expenses	10,000	
Mortgage interest	10,000	
Relief reduction	<u>(2,500)</u>	
		<u>(17,500)</u>
Taxable rental income		<u>7,500</u>
Tax due at 40%		3,000
Mortgage interest tax reduction		
	2,500 x 20%	<u>(500)</u>
Total tax due		<u>2,500</u>

Tax year 2018/19

Rental income		25,000
Allowable rental expenses	10,000	
Mortgage interest	10,000	
Relief reduction	<u>(5,000)</u>	
		<u>(15,000)</u>
Taxable rental income		<u>10,000</u>
Tax due at 40%		4,000
Mortgage interest tax reduction		
	5,000 x 20%	<u>(1,000)</u>
Total tax due		<u>3,000</u>

Tax year 2019/20

Rental income		25,000
Allowable rental expenses	10,000	
Mortgage interest	10,000	
Relief reduction	<u>(7,500)</u>	
		<u>(12,500)</u>
Taxable rental income		<u>12,500</u>
Tax due at 40%		5,000
Mortgage interest tax reduction		
	7,500 x 20%	<u>(1,500)</u>
Total tax due		<u>3,500</u>

Tax year 2020/21

Rental income		25,000
Allowable rental expenses	10,000	
		<u>(10,000)</u>
Taxable rental income		<u>15,000</u>
Tax due at 40%		6,000
Mortgage interest tax reduction		
	10,000 x 20%	<u>(2,000)</u>
Total tax due		<u>4,000</u>

This illustration is for general information only and is not intended to be advice to any specific person. You are recommended to seek professional advice before taking any action on the basis of the contents.