Residential lettings – the new replacement expenditure relief

OMB Personal tax

01 September 2015

CIOT call for comments on proposals to replace the wear and tear allowance

In July, HMRC published a consultation document on proposals for replacing the existing 10% wear and tear allowance for fully furnished residential lettings with a new tax relief for actual expenditure incurred on replacing furnishings ('replacement expenditure relief'). Currently, landlords of fully furnished residential properties can deduct 10% of their rent as wear and tear regardless of whether any expenditure is incurred. However, the 10% allowance is not available to businesses that let part-furnished or unfurnished homes.

As previously reported in Technical Newsdesk, the CIOT and the ICAEW have been in joint correspondence with HMRC. They submitted evidence collected by the Residential Landlords Association and the Scottish Association of Landlords on the effect of the withdrawal of the non-statutory renewals basis for businesses that let part furnished or unfurnished properties that include the provision of white goods and soft furnishings. It is therefore welcome that HMRC appear to have been receptive to these representations since the new relief will extend from April 2016 to landlords letting on an unfurnished/part-furnished basis as well as furnished lettings.

After the consultation closes (on 9 October) HMRC will publish a response document and draft legislation. Email your comments on the consultation proposals to kwillis@ciot.org.uk