Update: renewals basis for let property

Technical

01 April 2015

In February 2014, the CIOT and the ICAEW wrote a joint letter to HMRC seeking clarification of the availability of the non-statutory renewals basis for residential let property and in particular whether relief remained available for expenditure incurred in replacing items such as freestanding white goods, carpets and other soft furnishings. The letter and HMRC's response of 7 April 2014, confirming that relief had been withdrawn from April 2013, can be read on the CIOT website.

In relation to the impact of the withdrawal of relief, HMRC said:

'Review of impact

I can assure you that HMRC will continue to review the impacts of the change. HMRC continue to liaise with other professional bodies on this and other issues. In addition to information from external sources, HMRC will be reviewing the evidence that arises in the course of its compliance work.'

It was difficult to see how HMRC might monitor effectively the impact of a withdrawn relief through its compliance work and unclear what steps HMRC might take to seek information from external sources. Therefore, as well as publicising the change to members and asking for evidence, the CIOT and the ICAEW asked the Residential Landlords Association to carry out a survey of its members.

Of the 628 responses more than 75% were unaware that the renewals basis had been withdrawn. Most of the landlords who responded provide white goods (74%), carpets (98%) and curtains (79%) in their unfurnished rental properties. More than half said the lack of tax relief would change the frequency with which the items were replaced and 63% will either stop providing such furnishings or would change to fully furnished.

The Scottish Association of Landlords also circulated the taxation survey to its members.

We propose writing to HMRC making them aware of this evidence and members' views.