UK BUSINESS GUIDE · 2026/27 EDITION

The UK Landlord's Tax Guide

What's changed, what's coming, and how to prepare

Property income tax rates rise in April 2027. Making Tax Digital is already here. This guide explains how your rental profit is taxed today, what changes next, and the practical steps to protect your position.

PREPARED BY

Aksons Accounting

Online accountants for landlords, sole traders & limited companies

VERIFIED AGAINST

HMRC · GOV.UK · LITRG

aksonsaccounting.com

INSIDE THIS GUIDE

Contents

Who this guide is for

Anyone receiving UK rental income — whether that's a single buy-to-let, an inherited property, or a growing portfolio. If you declare property income on a tax return, the changes in this guide affect you.

RATES RISING

Individual landlords

Property income rates rise by 2 points from April 2027.

ALREADY LIVE

Landlords over £50k

Making Tax Digital applies from April 2026.

DIFFERENT RULES

Company landlords

Corporation Tax applies instead — see page 10.

A NOTE ON ACCURACY & SCOPE

Figures reflect HMRC and GOV.UK guidance current in 2026 and the Autumn Budget 2025 announcements. Income tax rates and bands here are those for **England, Wales and Northern Ireland**; Scottish taxpayers have different bands. Always confirm your own position before acting.

SECTION 01

What's changed and what's coming

Landlord taxation is moving in one direction. Three changes matter most: one that has already landed, one arriving in April 2027, and one reshaping how you report.

Apr 2025	Apr 2026	Apr 2027	Apr 2028
Furnished Holiday Lettings regime abolished	MTD begins for landlords over £50,000	Property income tax rates rise by 2 points	MTD threshold falls to £20,000

The headline: property income rates rise in April 2027

Announced at the Autumn Budget 2025, the tax rates applied to property income increase by **two percentage points at every band** from **6 April 2027**. This is a rate rise applied specifically to rental income — not a change to your personal allowance or bands.

Band	Property income rate now (2026/27)	From 6 April 2027	Change
Basic rate	20%	**22%**	+2 points
Higher rate	40%	**42%**	+2 points
Additional rate	45%	**47%**	+2 points

Source: Autumn Budget 2025. The property income rate change applies to English and Northern Irish taxpayers; the government has said it will engage with the Scottish and Welsh governments on equivalent powers.

Also announced: dividend rates rose in April 2026

From 6 April 2026 the dividend basic rate rose from 8.75% to **10.75%** and the higher rate from 33.75% to **35.75%** (additional rate unchanged at 39.35%). This matters if you hold property through a company — see page 10.

WHY IT MATTERS

Roughly eight months to plan

The rise lands in **April 2027**. Decisions about expenses, ownership and timing are far easier to make now than in the weeks before the new rates apply.

ONE CHANGE THAT HAS ALREADY HAPPENED

The **Furnished Holiday Lettings (FHL)** regime was abolished on **6 April 2025**. Former FHL properties are now taxed under the standard property rules — meaning the old advantages on mortgage interest, capital allowances and CGT reliefs no longer apply.

SECTION 02

How rental profit is actually taxed

Rental income is not taxed in isolation. It stacks on top of your other income, which is why two landlords with identical rent can face very different bills.

The four-step calculation

1. **Add up your gross rental income**
   All rent received, plus any tenant payments towards your costs. Declare it even if you make a loss.
2. **Deduct allowable expenses**
   Agent fees, insurance, repairs, ground rent and similar running costs. **Mortgage interest is not deducted here** — it is handled separately (page 5).
3. **Add the profit to your other income**
   Your rental profit sits on top of salary, pension or self-employment income, and is taxed at whatever band it falls into.
4. **Subtract the mortgage interest tax credit**
   A basic-rate (20%) credit on finance costs is deducted from the tax due, not from your profit.

2026/27 income tax bands

Band	Taxable income	Rate on property income
Personal allowance	Up to £12,570	0%
Basic rate	£12,571 – £50,270	**20%** (22% from Apr 2027)
Higher rate	£50,271 – £125,140	**40%** (42% from Apr 2027)
Additional rate	Over £125,140	**45%** (47% from Apr 2027)

England, Wales and Northern Ireland, 2026/27. Scottish taxpayers have different bands and rates for non-savings income. The personal allowance tapers above £100,000.

No National Insurance

Rental income is treated as investment income, so Class 2 and Class 4 NICs do not normally apply — unlike self-employment profit.

The £1,000 property allowance

If gross property income is **£1,000 or less**, it is exempt. Above that you can deduct the £1,000 instead of actual expenses — better only if your real costs are lower.

LOSSES ARE NOT WASTED

If expenses exceed rental income, the loss is **carried forward** against future profits from the same property business. You still need to report it — an unreported loss is a relief lost.

SECTION 03

Section 24 & the mortgage interest credit

This is the rule that catches out more landlords than any other. Mortgage interest is no longer an expense — it is a tax credit, and the difference can be thousands of pounds.

BEFORE SECTION 24

Interest reduced your profit

Mortgage interest was deducted as an expense, lowering the profit figure you were taxed on — relief effectively at your own tax rate.

NOW (FULLY IN FORCE)

Interest gives a 20% credit

Your taxable profit is calculated **before** interest. You then get a **basic-rate 20% credit** deducted from the tax due — regardless of your own tax band.

WHY HIGHER-RATE LANDLORDS LOSE OUT

If you pay tax at 40%, you are taxed on profit that includes your interest, but only get relief at **20%**. The gap is the cost of Section 24 — and it can also push your total income into a higher band, affecting your personal allowance or child benefit.

Worked example: the same landlord, two tax bands

BASIC-RATE LANDLORD

Rental income	**£18,000**
Allowable expenses	**−£4,000**
Taxable rental profit	**£14,000**
Tax at 20%	**£2,800**
Mortgage interest £6,000	**—**
Less 20% interest credit	**−£1,200**
Tax payable	**£1,600**

HIGHER-RATE LANDLORD

Rental income	**£18,000**
Allowable expenses	**−£4,000**
Taxable rental profit	**£14,000**
Tax at 40%	**£5,600**
Mortgage interest £6,000	**—**
Less 20% interest credit	**−£1,200**
Tax payable	**£4,400**

Illustrative example assuming the personal allowance is used elsewhere and the whole profit falls within a single band. Your own figures will differ.

What counts as a finance cost

Mortgage and loan interest, plus arrangement and broker fees on those loans. Capital repayments never qualify — only the interest element.

Unused credit carries forward

If the credit exceeds the tax due on your property profit, the excess is carried forward to future years rather than repaid.

SECTION 04

Allowable vs disallowable expenses

Claiming correctly is the simplest way to reduce a rental tax bill. The test is whether a cost is **wholly and exclusively** for the property business — and whether it is a repair or an improvement.

✓ Usually allowable

- Letting agent and management fees
- Landlord insurance
- Repairs and maintenance (like-for-like)
- Ground rent and service charges
- Council tax and utilities during voids
- Accountancy fees for the rental accounts
- Safety certificates and inspections
- Advertising for new tenants

✕ Not allowable as expenses

- Mortgage capital repayments
- Mortgage interest as an expense (credit instead)
- Improvements and extensions
- The cost of buying the property
- Your own time or labour
- Personal or private-use costs

Repair or improvement? The distinction that matters

Work carried out	Treatment	Why
Replacing a broken boiler with a similar model	Repair — deductible now	Restores the property to its previous condition
Adding a second bathroom	Improvement — capital	Enhances beyond the original state; may reduce a future CGT bill
Repainting and redecorating	Repair — deductible now	Routine maintenance
Fitting a new kitchen of much higher specification	Part repair, part improvement	The upgrade element is capital, not a running cost

Replacement of Domestic Items Relief

You can claim for replacing furnishings, appliances and kitchenware in a let property — but only for a **like-for-like** replacement, not the initial purchase or an upgrade.

KEEP THE EVIDENCE

Records matter more under MTD

Keep invoices, bank statements and mileage logs. From April 2026 many landlords must hold these **digitally** — see page 8.

A COMMON AND COSTLY MISTAKE

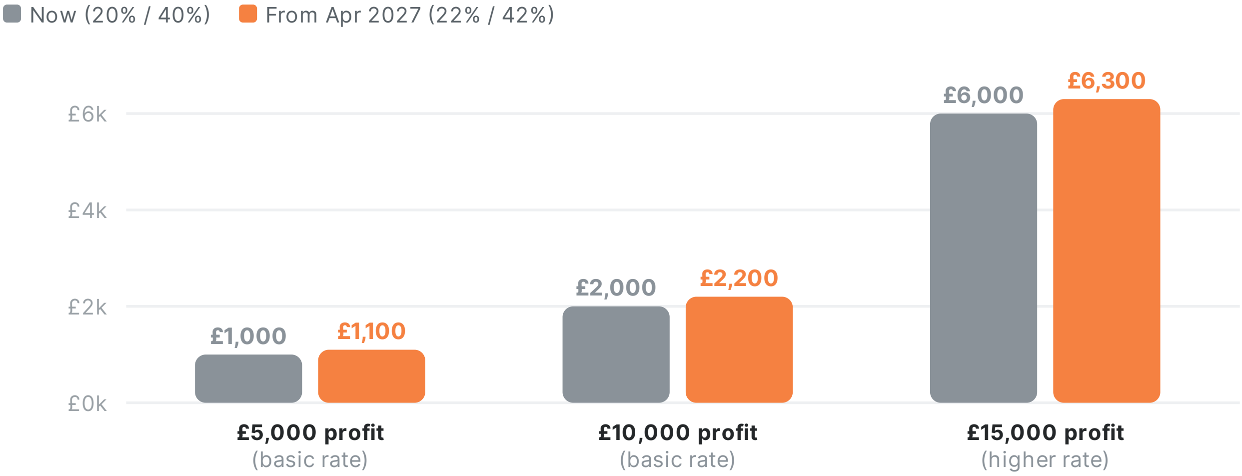
Treating an improvement as a repair invites an HMRC enquiry; treating a repair as an improvement means paying more tax than you need to. When work mixes both, **split the cost** and keep the invoice detailed enough to justify it.

SECTION 05

The April 2027 rate rise, modelled

Two percentage points sounds small. Here is what it actually costs at different levels of rental profit — and why the effect compounds for higher-rate landlords.

Tax on rental profit: 2026/27 vs from April 2027



Illustrative: tax on the rental profit slice only, assuming the whole profit falls within the stated band and the personal allowance is used elsewhere. Excludes any mortgage interest credit.

What the rise adds to your annual bill

+£100
a year on
£5,000 rental profit

+£300
a year on
£15,000 rental profit

+£600
a year on
£30,000 rental profit

The rise is **2 percentage points at every band**, which works out at **£20 more tax per £1,000** of rental profit. The cash cost therefore scales directly with the size of your profit — a portfolio landlord feels it far more than someone letting a single room.

What you can do before April 2027

- Review whether all allowable expenses are being claimed
- Consider the timing of larger repairs
- Check whether ownership shares are set efficiently between spouses
- Model your position rather than assuming

SCOPE

Who the rise applies to

The property income rate change applies to **English and Northern Irish taxpayers**. The government has said it will engage with the Scottish and Welsh governments about equivalent powers, so landlords there should watch for separate announcements.

SECTION 06

Making Tax Digital for landlords

Alongside the rate changes, how you report is changing too. Making Tax Digital for Income Tax is already live, and property income counts towards the threshold.

From	Qualifying income over	What it means
6 Apr 2026	**£50,000**	Digital records + quarterly updates — already in force
6 Apr 2027	**£30,000**	Next wave of landlords joins
6 Apr 2028	**£20,000**	Threshold falls again

THE TEST THAT CATCHES LANDLORDS OUT

Qualifying income is **gross** — total rents received before any expenses — and it **combines** property income with any self-employment income. Mortgage interest and running costs do not reduce the figure used for this test.

1

Digital records

Income and expenses kept in HMRC-recognised software, or a spreadsheet linked by bridging software.

2

Quarterly updates

Four summaries a year, due **7 Aug, 7 Nov, 7 Feb and 7 May**. Not tax payments — just figures.

3

Final declaration

Due **31 January** after the tax year ends, replacing the Self Assessment return.

Separate records per business

You combine income to test the threshold, but once inside MTD you keep **separate records and updates** for your property business and for any self-employment.

First-year penalty relief

HMRC will not apply penalty points for late **quarterly updates** during 2026/27. Late filing of the final declaration and late payment penalties still apply.

GO DEEPER

A full guide to MTD is available

This is a summary for landlords. For the complete picture — the in-scope decision tree, worked examples of qualifying income, software selection and the penalty rules — download our dedicated guide, **Making Tax Digital for Income Tax: The 2026 Readiness Guide**, from the Business Guides section at **aksonsaccounting.com**.

SECTION 07

Selling up: Capital Gains Tax

Selling a rental property triggers Capital Gains Tax — and a reporting deadline far shorter than most landlords expect.

18% / 24%
CGT rates
on residential property, basic / higher rate

£3,000
Annual exempt amount
per person, 2026/27

60 days
To report and pay
from completion of the sale

How the gain is calculated

WORKED EXAMPLE

Sale proceeds	**£310,000**
Purchase price	**−£200,000**
Buying costs (legal, SDLT)	**−£5,000**
Capital improvements	**−£15,000**
Selling costs (agent, legal)	**−£7,000**
Gross gain	**£83,000**
Annual exempt amount	**−£3,000**
Taxable gain	**£80,000**

What you can deduct

- The original purchase price (or probate value if inherited)
- Stamp duty, legal and survey fees on purchase
- Capital improvements — extensions, new bathrooms
- Estate agent and legal fees on the sale

Not deductible: routine repairs and redecoration — those belong in your annual rental accounts instead.

Figures for 2026/27. Rates depend on how much of the gain falls in your basic-rate band once added to your income.

THE 60-DAY TRAP

UK residents must report and pay CGT on a residential property disposal within **60 days of completion**, through HMRC's online property service — separate from Self Assessment. Late filing attracts automatic penalties.

Two reliefs worth knowing

Private Residence Relief may reduce the gain if the property was ever your main home. Spouses each have their own **£3,000** exemption, so jointly owned property can shelter more.

SECTION 08

Ownership structures compared

With property rates rising, more landlords are asking whether to hold property through a company. There is no universal answer — here is an honest comparison.

	Personal ownership	Limited company
Tax on profit	Income tax at 20/40/45% **(22/42/47% from Apr 2027)**	Corporation tax on company profit
Mortgage interest	Restricted — 20% credit only	Generally deductible as a business expense
Getting money out	It is already yours	Dividends taxed at 10.75% / 35.75% / 39.35%
Admin burden	Self Assessment or MTD	Company accounts, CT600, Companies House filings
MTD for Income Tax	Applies once over threshold	Does not apply to company profits
Moving existing property in	—	Usually a disposal — may trigger CGT and SDLT

THE TRAP IN THE MIDDLE

A company can look attractive on the headline rate, but profits are taxed **twice** if you need the income personally — once in the company, then again as dividends. Since dividend rates rose in April 2026, that second layer costs more than it used to.

A company may suit you if...

- You have significant mortgage interest and pay higher-rate tax
- You plan to reinvest profits rather than draw them
- You are building a portfolio over the long term
- You are buying new property rather than moving existing holdings

Personal ownership may suit you if...

- You own one or two properties with little or no mortgage
- You need the rental income to live on
- You want to keep admin and costs simple
- Transferring would trigger a large CGT or SDLT bill

BEFORE YOU RESTRUCTURE

Model it on your own numbers first

Incorporating is not easily reversed, and moving existing property into a company is normally treated as a sale at market value — potentially creating a **CGT charge and a stamp duty bill** on day one. Take advice on your specific position before making the move.

SECTION 09

Your landlord action checklist

Work through these before April 2027. Most take under an hour and several will save more than they cost.

- [ ] **Review every allowable expense**
  Check you are claiming agent fees, insurance, safety certificates and void-period costs.
- [ ] **Review ownership shares**
  For couples, check whether the split between you is set efficiently.
- [ ] **Separate repairs from improvements**
  Split mixed invoices properly — one reduces tax now, the other reduces CGT later.
- [ ] **Model the April 2027 rise**
  Work out the extra cost on your actual profit rather than assuming it is small.
- [ ] **Check your MTD position**
  Add gross rents to any self-employment turnover and compare to £50k / £30k / £20k.
- [ ] **Plan the timing of major works**
  Larger repairs may be worth bringing forward or deferring — model both.
- [ ] **Move records to digital now**
  Even if your MTD date is 2027 or 2028, start early and the transition is painless.
- [ ] **Diarise the 60-day CGT rule**
  If a sale is likely, know the deadline before you complete, not after.

Five key takeaways

1. **Rates rise April 2027.** Property income taxed at 22/42/47% — two points up at every band.
2. **Mortgage interest is a credit.** Relief is fixed at 20%, whatever rate you pay.
3. **MTD uses gross rents.** Before expenses, and combined with self-employment income.
4. **60 days to report CGT.** From completion — separate from your tax return.
5. **Companies are not a shortcut.** Model it properly — transferring can cost CGT and SDLT.

WHERE TO READ MORE

For updates as the April 2027 changes approach, and for our full guide to Making Tax Digital, visit the Business Guides and Articles & News sections at aksonsaccounting.com.

IN CLOSING

Plan now, not in March 2027

Landlord taxation is tightening: rates rise in April 2027, mortgage interest relief is already restricted, and digital reporting is here. None of it is a reason to panic — but all of it rewards landlords who **plan early and keep good records**.

You now know how your rental profit is taxed, what changes next, which expenses you can claim, and where the deadlines fall. The most valuable next step is simply to check your own numbers against it.

GET IN TOUCH

0330 1220929

01274 003001

info@aksonsaccounting.com

4 Burnett Ave,
Bradford BD5 9LU

Explore more from Aksons

HOMEPAGE

aksonsaccounting.com

Fixed monthly accounting for landlords, sole traders & limited companies.

BUSINESS GUIDES & ARTICLES

aksonsaccounting.com/articles-news

Practical, jargon-free guidance on tax, compliance & running your business.