

Let Property Campaign - "First Twelve Months" Report – November 2014

Background

HMRC launched the Let Property Campaign in September'13 to target the residential property letting market. HMRC suspects there could be over £550m tax and up to 1.5m customers that could be at risk from non or under-declaration. The campaign will run for four to five years and is looks at helping customers to get it right from day one; keep them on track going forward; and making it easy for them to sort out any previous errors.

Research before the campaign was launched indicated that a large percentage of landlords may well have been unaware of the rules on taxation and registration, causing them to make errors which could be simply and quickly corrected. At the start of the campaign, we met with landlord and accountancy professional bodies to agree typical case studies as part of the tools we made available.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/264353/Let_property_campaign_-_case_studies.pdf. These case studies enabled customers to identify themselves as landlords and the various scenarios that could lead to mistakes being made regarding their tax affairs.

As the campaign enters its second year we are taking a look back as to what progress has been made and the lessons learnt so far.

Outcomes to date

To date these case studies have been viewed nearly **35,000** times and have helped support over **4,500** landlords to come forward and disclose tax due on previously undeclared rental income. One year on, there are still, on average, over **250** landlords per month contacting HMRC to bring their tax affairs up to date. Greater awareness has seen the figure grow steadily, due mainly to media coverage. Disclosures checked and agreed have brought in **£7.8m** to 30 October 2014. We continue to work with thousands more Landlords who are completing their disclosures to help them pay the right amount and get their tax right in the future.

The people we are helping

The majority of these landlords were already taxed as an employee, own only one property and were simply unaware they had additional tax to pay. Some had sought professional advice to help bring their tax affairs up to date and most had become aware of the campaign through gov.uk or through contact with their landlord professional body.

While some have purchased a second property as an investment, others have become a landlord by accident, with the rental income coming from properties inherited; becoming available after work-based relocations; or through changes to domestic circumstances, such as moving in with a partner or looking after an elderly or sick relative. A lot of people fed back that they were grateful for the opportunity to check they were doing the right thing or sort out arrears and being able to get up to date going forward.

What we have learned

The most common mistakes seen to date are:

- Landlords not understanding that only the interest element of their mortgage payments could be used as a deduction against their rental income
- many thinking they only start to pay tax on their rental income once the amounts received exceeds the purchase or renovation costs of the property
- many in the 'buy to let' market made losses in the early years and believed they did not need to register as a landlord when they started renting the property and had remained unregistered, even though they are now making profits
- some landlords thought their letting agent was responsible for notifying HMRC

Many landlords told our dedicated team that they needed time to check and read our guidance. Subsequently, they were able to reassure themselves that their affairs were up to date and no disclosure was needed. Some newer landlords found they were still in time to register correctly with HMRC, preventing them from making a mistake. This endorses the approach adopted by the campaign and supports the HMRC strategic direction.

Using our data effectively

Thousands of landlords, who we believe need to take action, are being identified and contacted directly by us to make them aware of the campaign and to invite them to come forward. Landlords are also being contacted via their professional bodies and are able to self-source their learning, using bespoke products, to ensure their tax affairs are up to date. Where they have tax outstanding, we have been able to settle these quickly and effectively through the campaign process.

What the Customers say

The following are typical quotes from those landlords we have been able to help:

"I was under the belief that if you didn't make a profit on your rental you didn't need to pay tax. I thought my Capital Income for the mortgage payment was included in that. Having read the Case Studies of the female who thought the same I realise I am wrong and should not have included my mortgage costs in the figures..."

"Previously i was convinced that my share of these properties was loss-making or at best, breaking even, given that they were older properties bought on interest-only mortgages and the income from them was sporadic in the early years. On further analysis however it became apparent that some of the more recent years were returning small profits... I am glad of this opportunity to bring my tax affairs up to date and assure HMRC that everything will be in order from here on in..."

"Look up the Let Property Campaign to bring landlords up to date in their tax. I have been a landlady since 2009 and have never paid any tax due to dumbness, idleness, head stuck in 'sandness' and I am now in process of coming clean. It will be fine. Talk to them, they will help..."

What next

In the following months we will bring you further updates on how we continue our support to those who have come forward; how key intermediaries have helped us spread the word; why our education tools and computer based training packages have been so successful; and what we are doing to track down those landlords who remain non-compliant.

If you would like more information on the Let Property Campaign please refer to our web-pages at <https://www.gov.uk/let-property-campaign>