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What the new tax year means for property

The new tax year kicked in on 6 April. Here are 5 housing-related changes you need to know about to stay ahead of the game

1. Screws tighten further on landlords

If you're a landlord, you're probably aware that HMRC has been ratcheting up the pressure recently. And this tax year is no exception.
A new cap on mortgage interest relief has now been introduced at the basic rate of 20% for everybody. Previously, you could claim tax relief on mortgage interest at your respective tax rate. This means higher rate (40%) and additional rate (45%) taxpayers stand to lose the most.
The changes will be implemented gradually and, by April 2020, all landlords will be affected.
The new cap comes just 12 months after the 10% tax relief on 'wear and tear' costs for landlords letting furnished homes was scrapped.

2. Rise in the Personal Allowance

If you're a landlord and receive rent from an investment property, it's classed as income, which means it's liable to Income Tax.
But everyone has a Personal Allowance which is the amount you can earn (whether in rental profits or from a job) before Income Tax becomes payable.
This is now set at £11,500, up from £11,000. The Personal Allowance will climb further to £12,500 by the 2019/20 tax year.

3. Launch of the Lifetime ISA

If you're saving towards either your first home or your retirement, the new tax tear brings with it a new tax-free savings account: the Lifetime ISA.
It allows you to put away a maximum of £4,000 a year, which is then topped up with a 25% bonus from the Government. So, if you make the full annual contribution each year from 18 years old up to the cut-off age of 50, you'll receive a total of £32,000.
However, while a handful of stocks and shares Lifetime ISAs are available, as yet, there are no cash options.

4. New Inheritance Tax break has been introduced

Inheritance Tax rules have been relaxed so that you can pass on more of your housing wealth.
If you leave your family home to a direct descendant, you'll have £100,000 added to your current £325,000 nil-rate band. This doubles for married couples or

civil partners. (However, this tax break will be tapered away for property worth more than £2m.)

The additional allowance will rise to £175,000 per person over the next four years, resulting in immediate tax savings of up to £80,000, according to independent financial adviser, Hargreaves Lansdown.

5. Bigger tax-free ISA allowance

Good news! The amount of cash that can be saved interest-free in an ISA over the next 12 months has climbed to £20,000 from last tax year's £15,240.

There are now more ISA options than ever before so it’s important to do your homework first before allocating your cash.