



# The changing Buy to Let landscape and what lies ahead

Roger Morris  
Director of Sales

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AUTHORISED TO GIVE MORTGAGE ADVICE TO CONSUMERS.

[www.precisemortgages.co.uk](http://www.precisemortgages.co.uk)

# LEARNING OUTCOMES

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BUY TO LET MORTGAGES

At the end of the session you will have:





# IMPORTANT INFORMATION

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- These slides reflect our current understanding of the regulatory, tax and legal position which may change.
- Each applicant's circumstances are different and they will need to seek specialist legal and tax advice on their position and what is best for them. We, and you as an adviser, are unable to provide advice on that.



# TIME TO CONSIDER

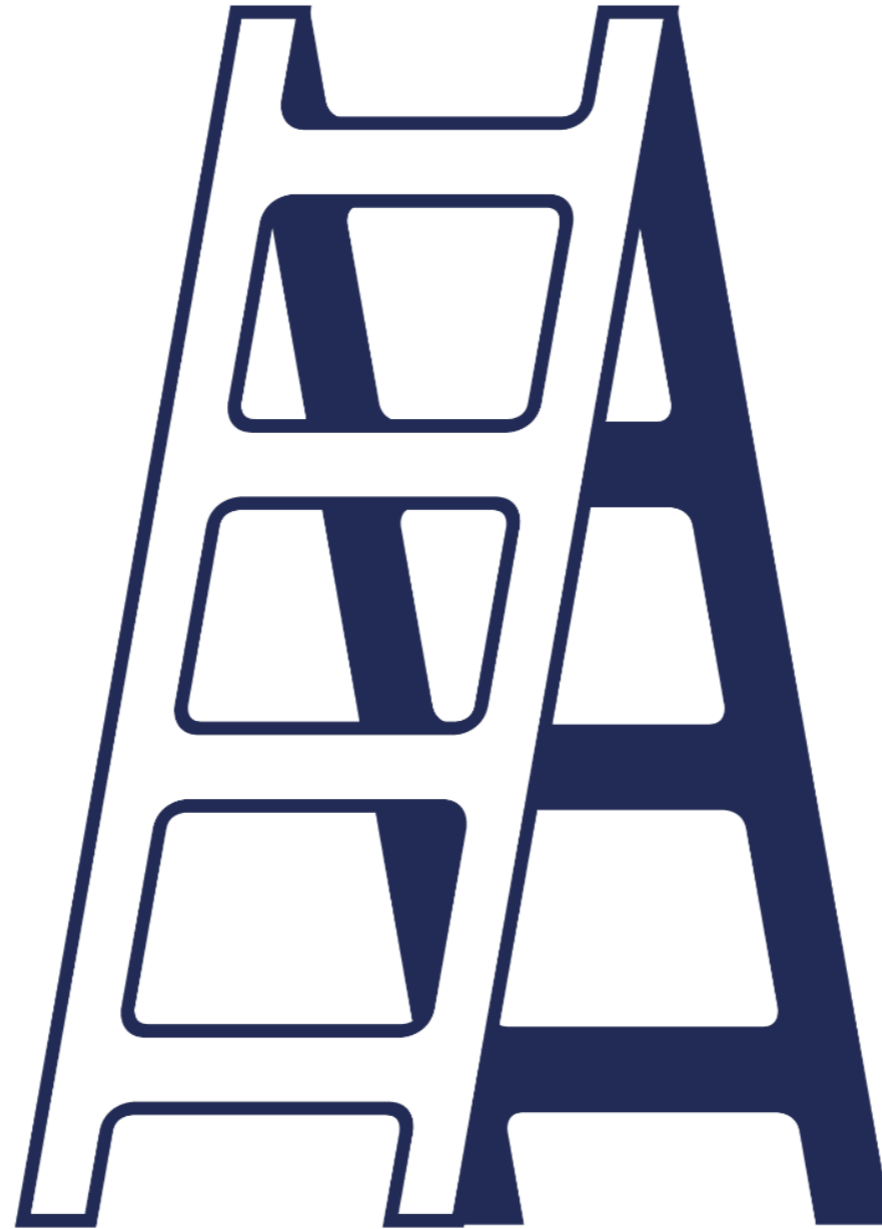
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BUY TO LET MORTGAGES

# FIRST TIME BUYER/LANDLORD

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BUY TO LET MORTGAGES



# CENTRE OF INFLUENCE

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**Mortgage  
adviser**



**Accountant**



**Lawyer**



**Tax  
adviser**

# BUY TO LET MORTGAGES

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BUY TO LET MORTGAGES

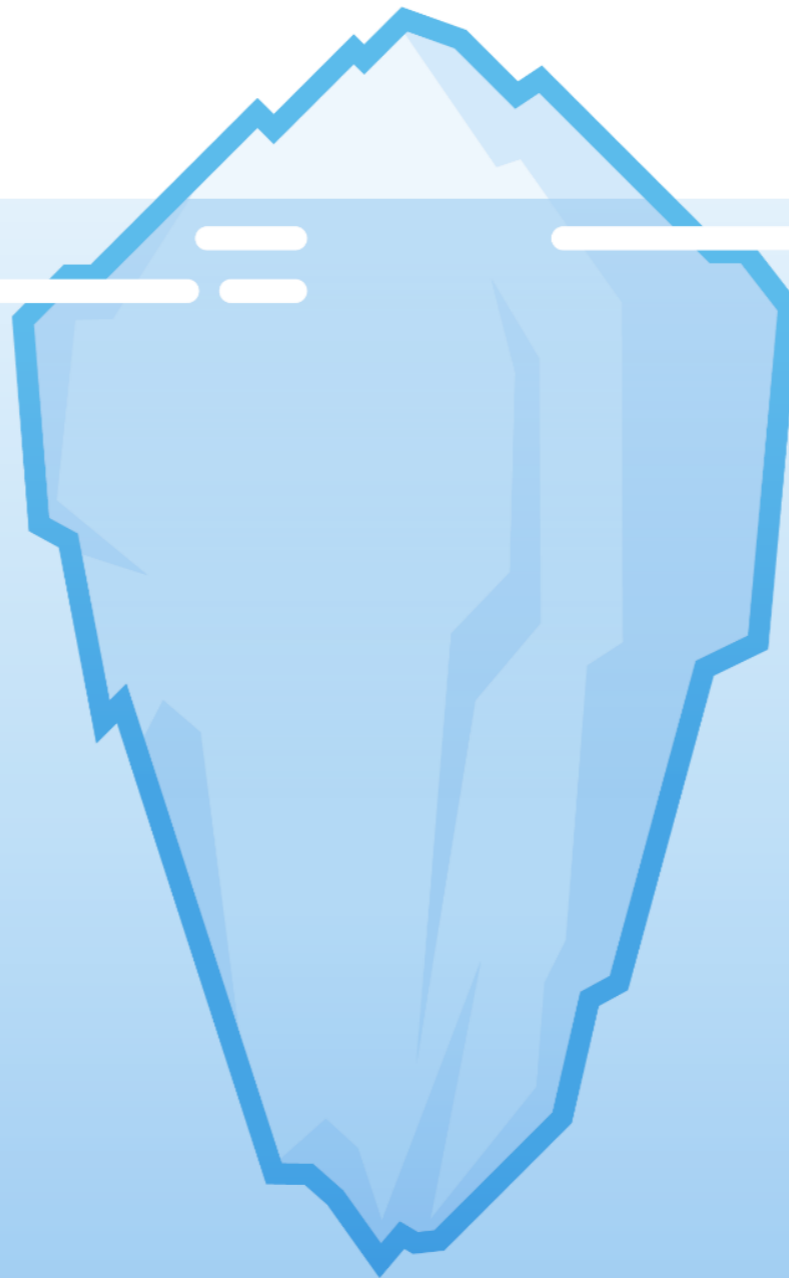




# LANDLORDS

BUY TO LET MORTGAGES

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**BUY TO LET MORTGAGES**

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***Reasons  
WHY a  
landlord  
invests***



***WHAT has  
changed for  
landlords***



# THE BUY TO LET TIMELINE

BUY TO LET MORTGAGES

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***HOW are  
landlords  
tackling the  
changes***



# THE BUY TO LET TIMELINE

BUY TO LET MORTGAGES

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Budget  
**2015**

# TAX - BUY TO LET MORTGAGES

## BUY TO LET MORTGAGES

**Mr. E Customer** = Works in IT, £157,000 per year

45% tax payer, £2 million portfolio, £1.2 million mortgage

	2015/16	2020/21	Tax
Income/rent			
Wear and tear			
Less loan interest (3%)			
Taxable profit			
Tax at 45%			
Less interest at 20%			
Total tax			
Profit			

Example for illustrative purposes only. It is not intended to advise.  
Tax advice should be sought where appropriate.

## 2% INTEREST RISE

Rent increases 5% per annum (£12,000 approx).

**£1.2m** at 5% = **£60,000**

Income/rent	
Taxable profit	
Tax at 45%	
Less interest at 20%	
Total tax	
Profit	

Downwards profit change in 4 years (£25,200)

## 2% INTEREST RISE

### Tax year 2021/22

Rent increases 5% per annum (£12,000 approx).

**£1.2m** at 5% = **£60,000**

<b>Annual rent</b>	
<b>Interest at 5%</b>	
<b>Taxable gross profit</b>	
<b>Corporation tax at 17%</b>	
<b>Net profit</b>	

First £2,000 tax free

NB, Shareholders will not pay income tax on the first £2,000 in dividends they receive. The first £2,000 will not always be tax free, it will depend on what other dividend income they have.



# JOINT TENANTS vs TENANTS IN COMMON

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BUY TO LET MORTGAGES

## JOINT TENANTS

Joint Tenants will hold the property **equally**.

On sale the residual funds will be split **equally**.

On the death of one owner the property will pass to the surviving owner(s).

## TENANTS IN COMMON

Tenants in Common can **split the beneficial share** of the property.

For example: **99/1** or **60/40**.


On sale the residual funds will be split according to their beneficial share of the property.

On death the share of the deceased will not automatically pass to the surviving owner(s) but will follow a Trust Deed or the deceased's wishes in their Will.

### Joint Tenants to Tenants in Common = Severance of Title

As Tenants in Common, customers are still jointly and severally liable for the debt.

It is imperative that if a customer does choose Tenants in Common they have a valid Trust Deed or Will in place.



## Joint property and income

Please use these if you write or call. It will help to avoid delay.

Reference

National Insurance number

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Issued by

**Notice of declaration of beneficial interests in joint property and income**

If you and your husband or wife or civil partner live together, we normally treat income from property held in joint names as if it belonged to the two of you in equal shares. Each of you is taxed on half the income. This rule applies even if you own the property in unequal shares.

However, if you hold property jointly and

- you actually own the property in unequal shares, and
- you are entitled to the income arising in proportion to those shares, and
- you want to be taxed on the actual basis

you may make a declaration on this form, and we will tax the income on the 'actual basis'. Before you fill in this form, please read the notes below.

**Income**  
You cannot make a declaration

- unless the property and income are actually held by you in unequal shares. You cannot simply choose to have the income taxed on an unequal basis because you think it would be to your advantage
- about income that is earned income (or, like furnished holiday lettings, treated as earned income)
- about income from a trade or profession that you and your husband or wife or civil partner carry on in partnership
- from 6 April 2004, about income arising from shares held in a close company (broadly, a company controlled by no more than five people)
- about income which for tax purposes is treated as the income of a third party, even if the income arises from property held in the joint names of you and your husband or wife or civil partner.

**Property**  
For the purposes of this declaration, property includes land and buildings and investments of any kind.

**Bank and Building Society accounts**  
You cannot make a declaration about investments in which you and your husband or wife or civil partner invest as 'joint beneficial owners'. In such accounts each

owner is equally entitled to the whole account, and any income from it is paid to both parties jointly.

All bank/building society accounts are held on this basis.

If you have changed your investments from the 'joint beneficial owners' basis to some other basis, for example by way of a deed, please attach evidence.

**Beneficial interest**  
You may not be familiar with the meaning of beneficial interest in property and income. You should seek professional advice if you are in any doubt about

- your beneficial interest in property held in joint names
- your beneficial interest in income from such property
- whether you should complete this form and sign the declaration.

Although we can explain the practical effects of completing this form, we cannot help you to determine beneficial interests.

**If the address shown above is wrong please correct it in the box below.**

Address

Postcode

**For official use only**

Date received	Declaration accepted
/ /	Initials
Date stamp	

HMRC 02/06

**Declaration by husband and wife or civil partners** *You may be prosecuted if you make a false statement*

Your declaration must reflect the facts about your shares in each property and the income from it.

List each item of property separately, even if you share them all in the same proportions. For example, if you jointly hold shares in several companies you must make a separate entry for each company.

If you need to make more than five entries you should ask me for extra forms. Both of you must sign and date every form that you fill in.

Description of joint property	Beneficial interest in the property itself	Beneficial interest in any income arising
	% share	% share
	spouse A/ civil partner A	spouse A/ civil partner A
	spouse B/ civil partner B	spouse B/ civil partner B
	% share	% share
	spouse A/ civil partner A	spouse A/ civil partner A
	spouse B/ civil partner B	spouse B/ civil partner B
	% share	% share
	spouse A/ civil partner A	spouse A/ civil partner A
	spouse B/ civil partner B	spouse B/ civil partner B
	% share	% share
	spouse A/ civil partner A	spouse A/ civil partner A
	spouse B/ civil partner B	spouse B/ civil partner B
	% share	% share
	spouse A/ civil partner A	spouse A/ civil partner A
	spouse B/ civil partner B	spouse B/ civil partner B

**We declare that the details above correctly state our beneficial interests in the property described, and the income arising from it, and that the property is held in our joint names.**

	spouse A/civil partner A	spouse B/civil partner B
Full name	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Signature	<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
Date	/ /	/ /

Please also give the following details if you know them

Tax reference	<input style="width: 100%;" type="text"/>
National Insurance no.	<input style="width: 100%;" type="text"/>

You may wish to keep a copy of this declaration for your records.

To give me notice of this declaration you must return it to me within 60 days of the date you both sign and date it. Your declaration will then be effective from the date you signed the form. You cannot make a back-dated declaration.

Your declaration will remain in force until (but only until) your interests in the property or income change, or you stop living together as a married couple or civil partners. **If your circumstances change you must tell me immediately.** Return this completed form, and any extra forms, to the office address shown overleaf.



## BUY TO LET MORTGAGES

**Subject property information**

Property type: House

Property value: £ 400,000.00

Gross rental income **per month**: £ 1,150.00

Is the customer a portfolio landlord?: No

**Loan information**

Product LTV limit: 75%

Loan amount: £ 300,000.00

Product fees: 1.5 % OR £

Loan type: Fixed

Initial rate: 2.83 %

Initial rate term: 2 Years

Reversion rate: 5.47 %

**Income details**

Ownership: Single Applicant

**Applicant 1**

Gross earned income **per month** (employment / self-employment): £ 4,583.33

Gross other income **per month** (excluding rent): £ 0

Gross portfolio rental income **per month**: £ 0

Gross subject property rental income **per month**: £ 1,100.00

**ICR Only:** The maximum loan we could consider using rental income only, excluding any fees, based on the information provided here is:

**£170,458**

## BUY TO LET MORTGAGES

**Subject property information**

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Is the customer a portfolio landlord?: No

**Loan information**

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Loan amount: £ 300,000.00

Product fees: 1.5 % OR £

Loan type: Fixed

Initial rate: 2.83 %

Initial rate term: 2 Years

Reversion rate: 5.47 %

**Income details**

Ownership: Joint Tenants

	Applicant 1	Applicant 1
Share of rent on subject property	50 %	50 %
Gross earned income <b>per month</b> (employment / self-employment)	£ 4,583.33	£ 0
Gross other income <b>per month</b> (excluding rent)	£ 0	£ 0
Gross portfolio rental income <b>per month</b>	£ 0	£ 0
Gross subject property rental income <b>per month</b>	£ 575.00	£ 575.00

**ICR Only:** The maximum loan we could consider using rental income only, excluding any fees, based on the information provided here is:

**£197,736**

**Blended ICR of 127%**

Example for illustrative purposes only. It is not intended to advise. Tax advice should be sought where appropriate.

## BUY TO LET MORTGAGES

**Subject property information**

Property type: House

Property value: £ 400,000.00

Gross rental income **per month**: £ 1,150.00

Is the customer a portfolio landlord?: No

**Loan information**

Product LTV limit: 75%

Loan amount: £ 300,000.00

Product fees: 1.5 % OR £

Loan type: Fixed

Initial rate: 2.87 %

Initial rate term: 5 Years

Reversion rate: 5.47 %

**Income details**

Ownership: Joint Tenants

	Applicant 1	Applicant 1
Share of rent on subject property	50 %	50 %
Gross earned income <b>per month</b> (employment / self-employment)	£ 4,166.67	£ 0
Gross other income <b>per month</b> (excluding rent)	£ 0	£ 0
Gross portfolio rental income <b>per month</b>	£ 0	£ 0
Gross subject property rental income <b>per month</b>	£ 575.00	£ 575.00

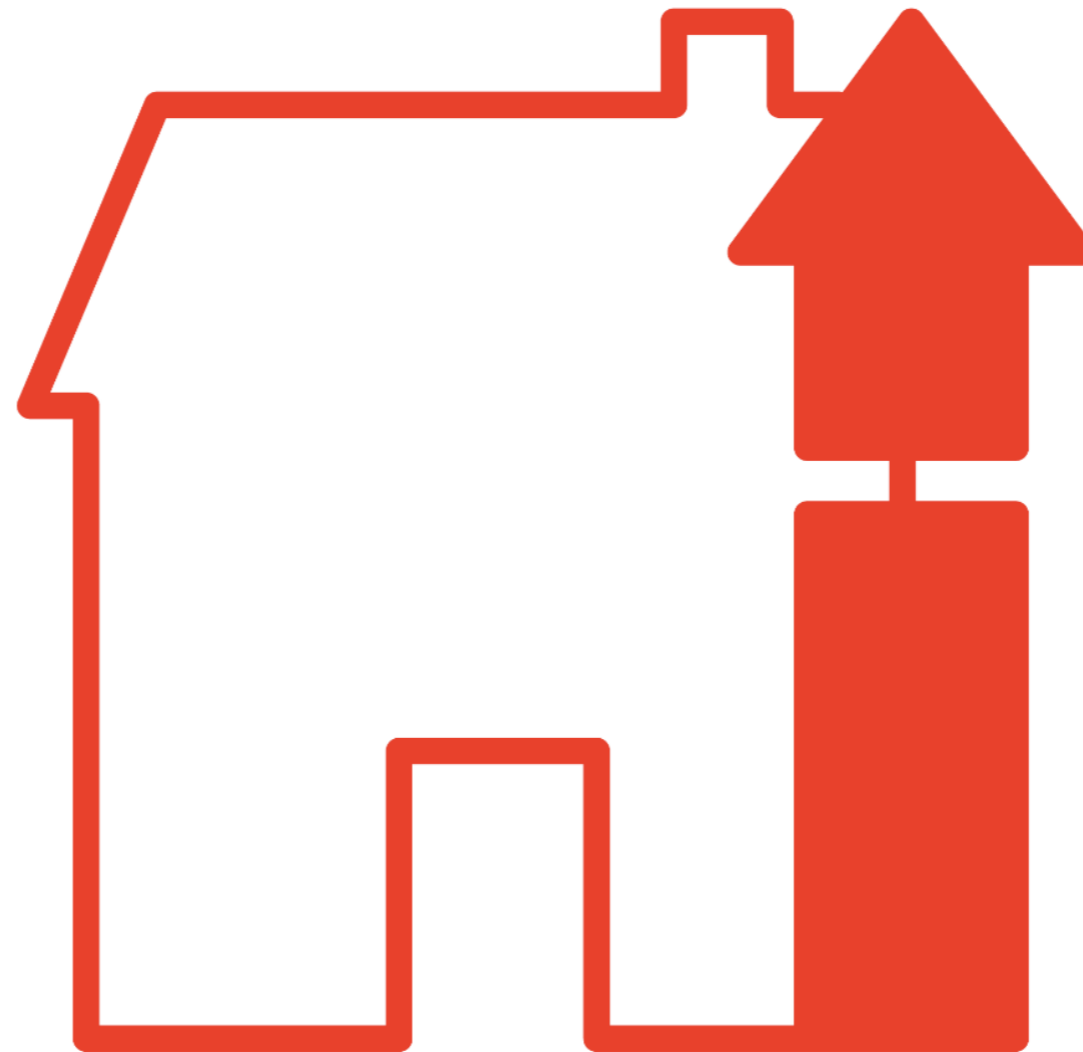
The maximum loan we could consider, excluding any fees, based on the information provided here is:

**£300,000**

If rental income meets 110% ICR at pay rate of product selected, earned income could be used to support an application.

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Ideal for landlords with low rental yield/higher value property.



**EARNED  
INCOME**

**RENTAL**



# TOP SLICING

BUY TO LET MORTGAGES

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## BUY TO LET MORTGAGES

**Subject property information**

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Initial rate: 2.87 %

Initial rate term: 2 Years

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**Income details**

Ownership: Joint Tenants

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Share of rent on subject property	50 %	50 %
Gross earned income <b>per month</b> (employment / self-employment)	£ 4,166.67	£ 0
Gross other income <b>per month</b> (excluding rent)	£ 0	£ 0
Gross portfolio rental income <b>per month</b>	£ 0	£ 0
Gross subject property rental income <b>per month</b>	£ 575.00	£ 575.00

**ICR Only:** The maximum loan we could consider using rental income only, excluding any fees, based on the information provided here is:

**£197,736**

**Top slicing:** If the rental income does not achieve the loan size requested, but your customer has a monthly portfolio surplus income and/or disposable earned income of approximately £595.00 per month, they could borrow the full loan amount requested below:

**£300,000**

Example for illustrative purposes only. It is not intended to advise. Tax advice should be sought where appropriate.

# BUY TO LET EXPENSES

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# HOLIDAY LETS

BUY TO LET MORTGAGES

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# MULTI-UNITS

BUY TO LET MORTGAGES

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# LIMITED COMPANY

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BUY TO LET MORTGAGES

# SPV SIC CODES

BUY TO LET MORTGAGES

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**BUY TO LET MORTGAGES**

Example for illustrative purpose:

[www.precisemortgages.co.uk](http://www.precisemortgages.co.uk)

# IS IT THE RIGHT THING TO DO?

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## BUY TO LET MORTGAGES

Transferring an existing portfolio to a Limited Company may not be the right thing to do...

# THE BUY TO LET TIMELINE

BUY TO LET MORTGAGES



**PRA 1:** Buy to  
Let underwriting  
standards

Budget  
**2015**

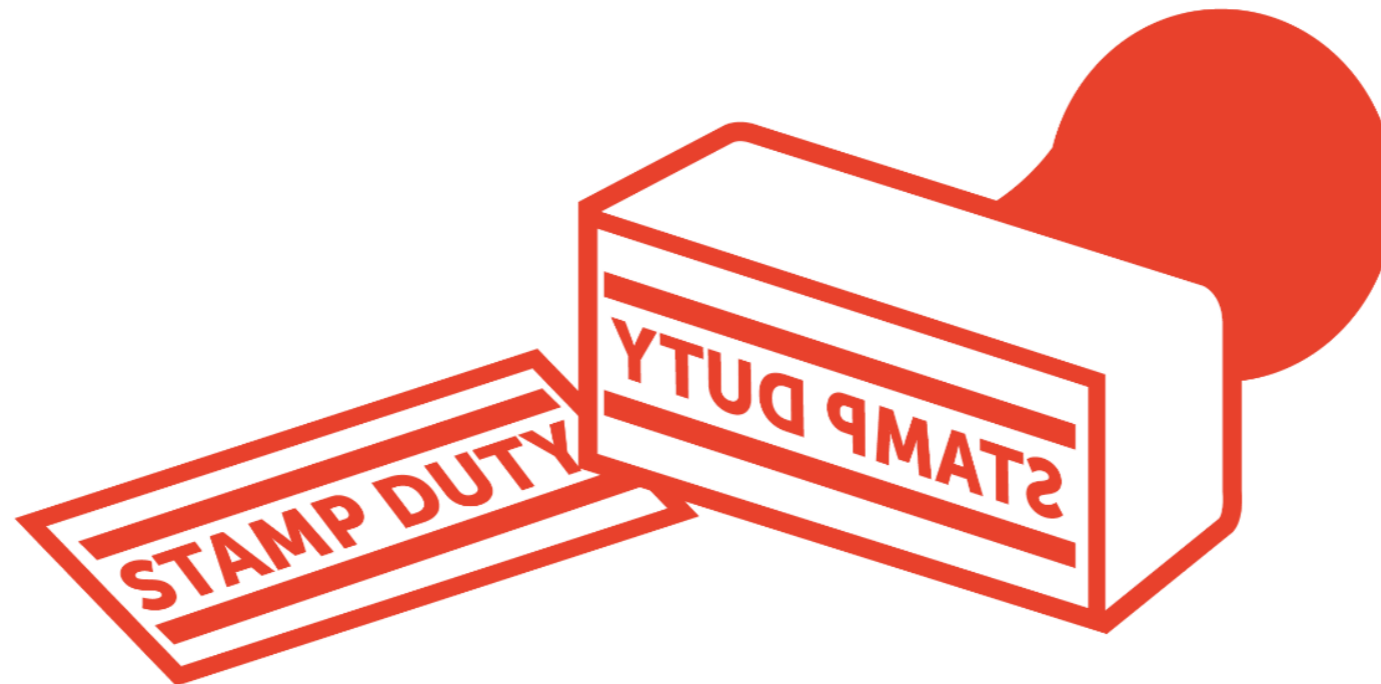
**2017**

**2016**  
3% stamp  
duty changes

# STAMP DUTY LAND TAX

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BUY TO LET MORTGAGES



# STAMP DUTY

BUY TO LET MORTGAGES

Stamp duty levied at:

£0 to £125,000	3% (standard 0%)
£125,001 to £250,000	5% (standard 2%)
£250,001 to £925,000	8% (standard 5%)
£925,001 to £1.5m	13% (standard 10%)
Over £1.5m	15% (standard 12%)

NB. Tax is calculated on the amount in bands shown and not at the same rate for the total purchase price.

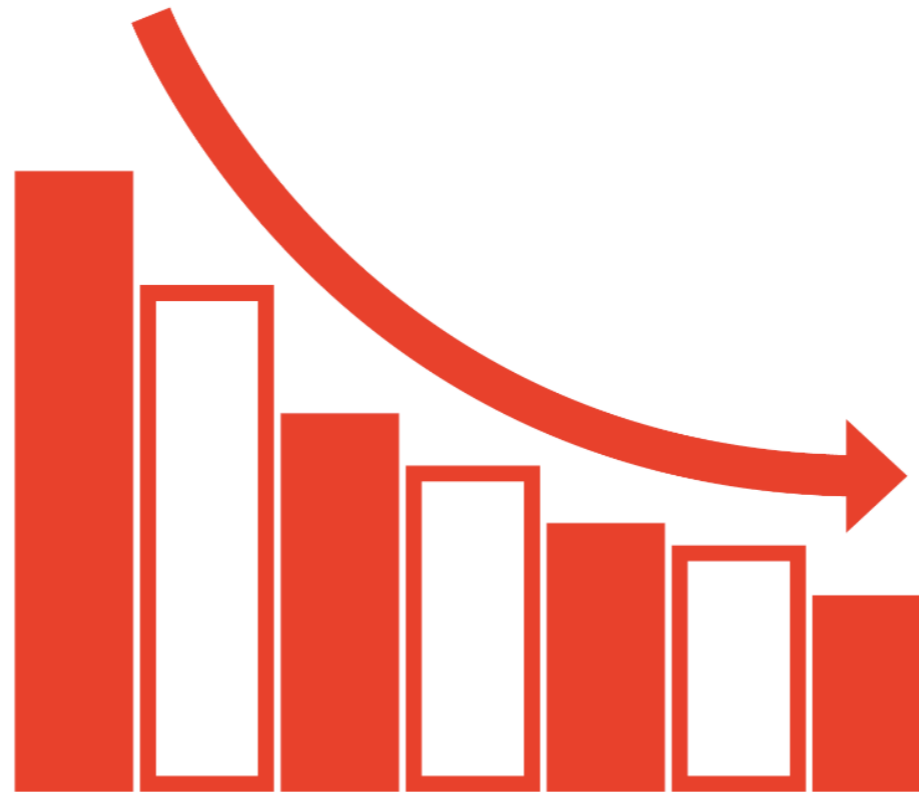
<https://www.gov.uk/guidance/stamp-duty-land-tax-buying-an-additional-residential-property>



# DECREASE IN LET TO BUY BUSINESS

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BUY TO LET MORTGAGES



# HOW STAMP DUTY AFFECTS LET TO BUY

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BUY TO LET MORTGAGES

Purchasing a new residential property for £300,000 and doing a standard Let to Buy would incur an extra 3% stamp duty £9,000 compared to purchasing the new property and selling the current residential property.

Example for illustrative purposes

[www.precisemortgages.co.uk](http://www.precisemortgages.co.uk)

# HOW STAMP DUTY AFFECTS LET TO BUY

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BUY TO LET MORTGAGES

Purchasing a new residential property for £300,000 and selling residential to a Limited Company SPV would save £6,000 in stamp duty, but is borrowing through a Limited Company right for your customer?

Example for illustrative purposes

[www.precisemortgages.co.uk](http://www.precisemortgages.co.uk)



**HMRC Let Property Campaign** gives landlords the opportunity to bring their tax affairs up to date.



Landlords need to let HMRC know about tax owed by way of a voluntary disclosure.



The campaign is open to:

- ▶ landlords renting out a single property
- ▶ landlords with property portfolios
- ▶ specialist landlords (eg. Students, workforce rentals)

Refer to <https://letproperty.campaign.gov.uk> for full details

Changes to the  
Housing act

**2004**

**2018**

HMO  
Licencing



## BUY TO LET MORTGAGES

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Planning: the planning system in England and Wales is administered by the Town & Country Planning Act 1990 (TCPA)



# HOUSE IN MULTIPLE OCCUPANCY (HMO)

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BUY TO LET MORTGAGES



# HMO LICENSING

BUY TO LET MORTGAGES

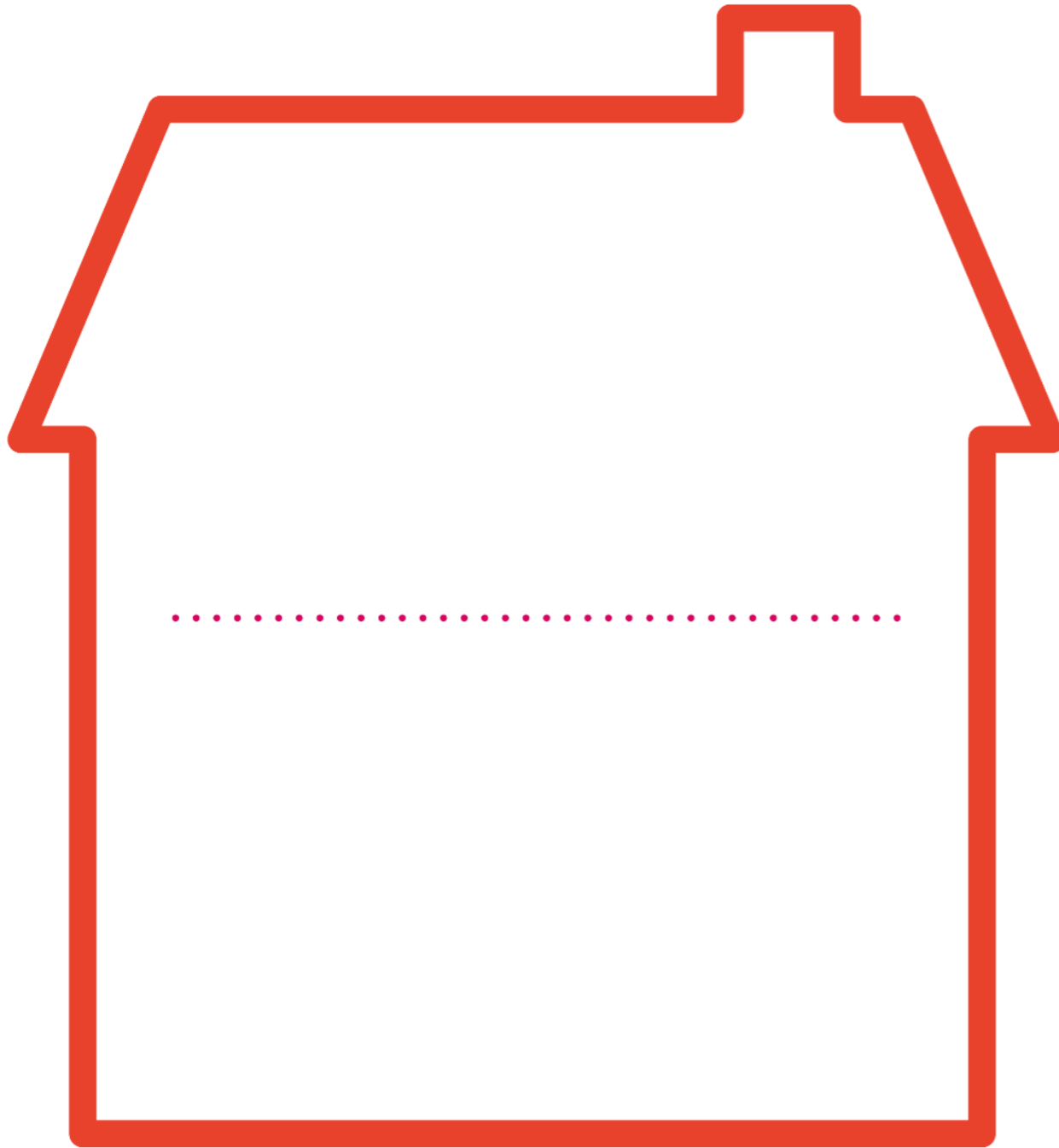
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# HMO LICENSING

BUY TO LET MORTGAGES

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**WHAT**

***Funding your  
(first) Buy to Let***



# PORTFOLIO GROWTH SOLUTIONS

## SECOND CHARGE LOANS

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Deposit for the Buy to Let may come from equity in an existing investment or Residential property.

Example for illustrative purposes

Each loan is subject to individual application review and underwriting

[www.precisemortgages.co.uk](http://www.precisemortgages.co.uk)



# PORTFOLIO GROWTH SOLUTIONS

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SECOND CHARGE LOANS

Example for illustrative purposes

Each loan is subject to individual application review and underwriting

[www.precisemortgages.co.uk](http://www.precisemortgages.co.uk)

# THE BUY TO LET TIMELINE

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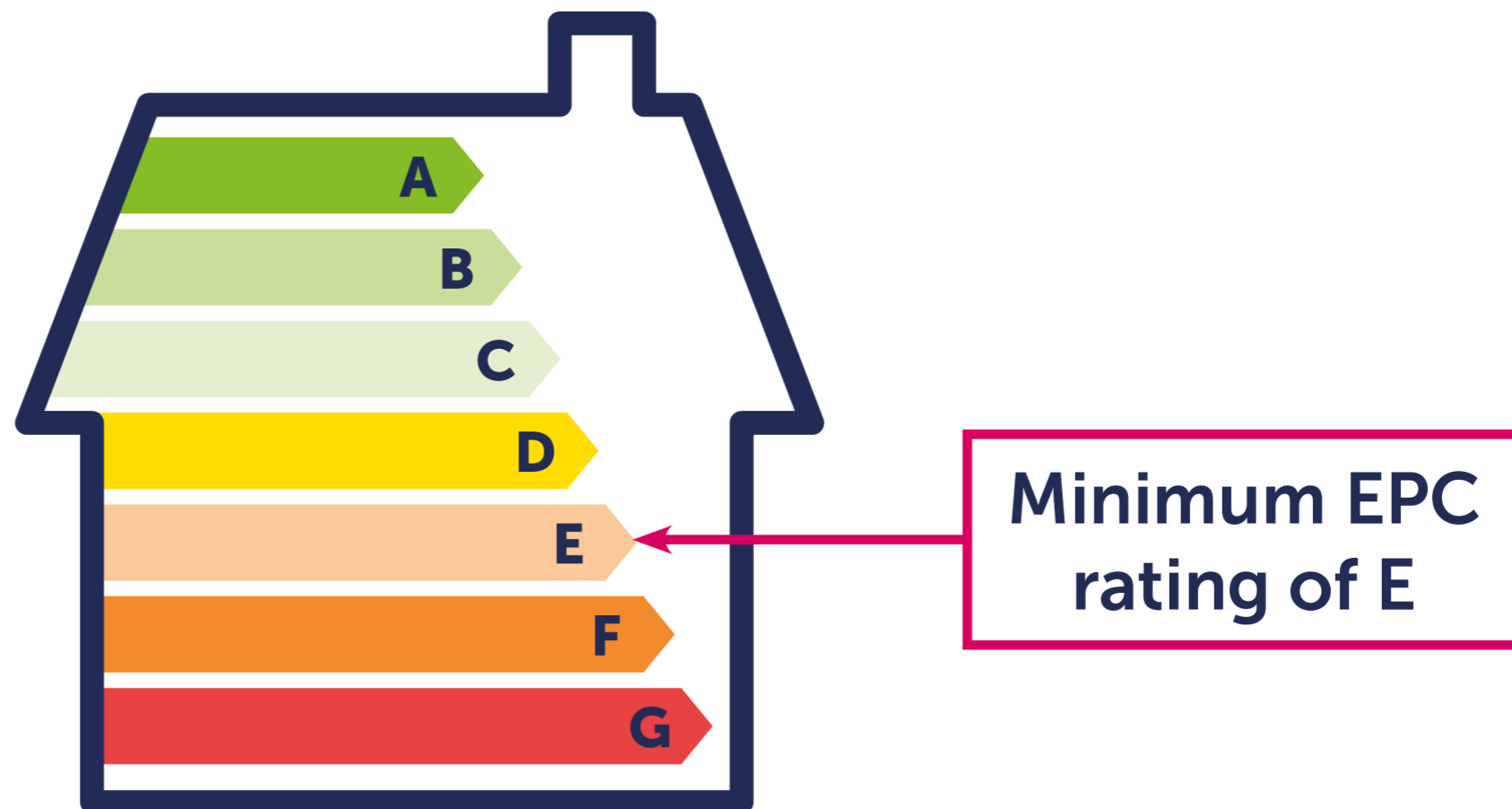
BUY TO LET MORTGAGES





Precise  
Mortgages

# ENERGY PERFORMANCE CERTIFICATE (EPC)



**As of April 2018 all privately rented domestic and non-domestic properties must have a minimum EPC rating of E.**

Guidance on the regulations, relevant improvements and cost effectiveness -  
[www.gov.uk](http://www.gov.uk) 'The Private Rented Property minimum standard – landlord guidance documents'

# UNACCEPTABLE PROPERTIES



# REFURBISHMENT BUY TO LET

BUY TO LET MORTGAGES

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*Before*



*After*





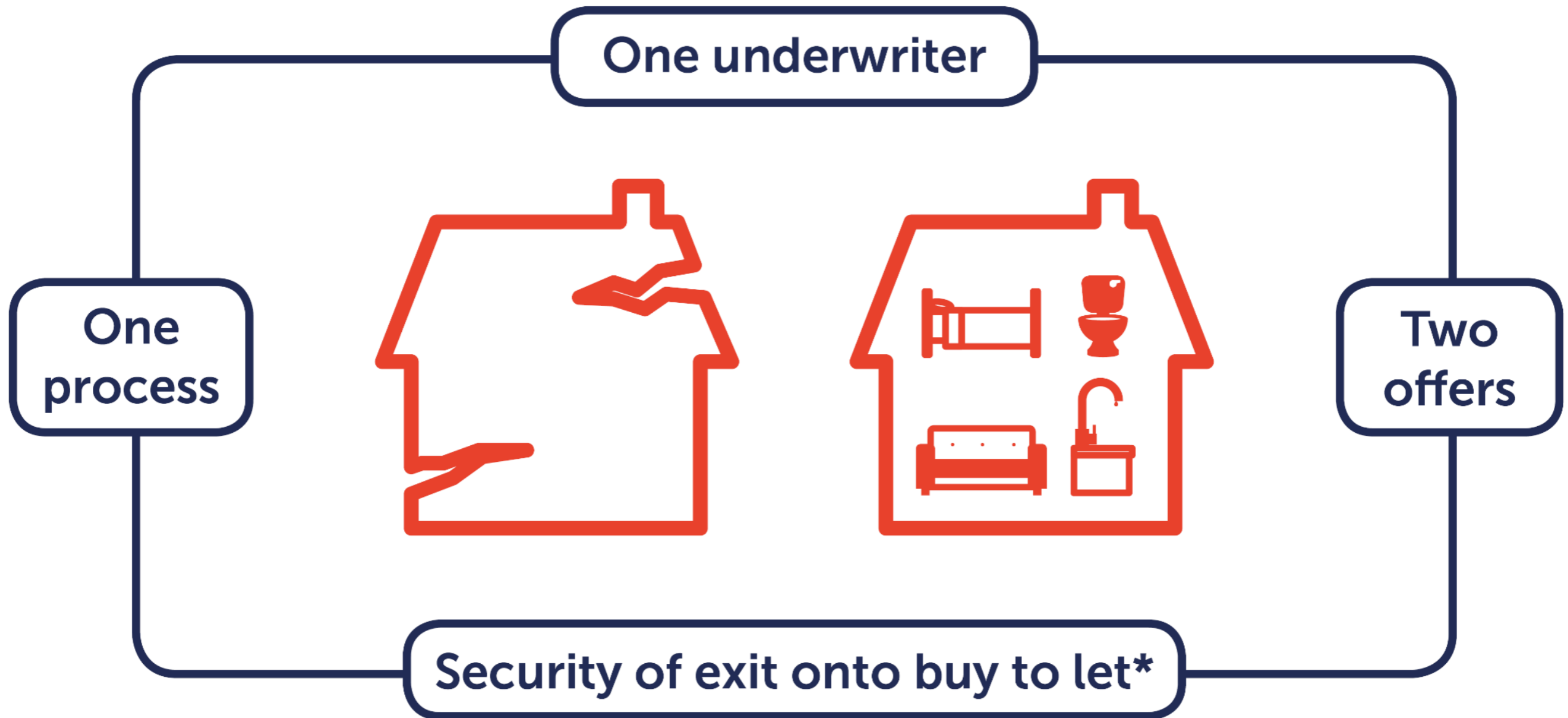
*Before*



*After*

# REFURBISHMENT BUY TO LET

BUY TO LET MORTGAGES

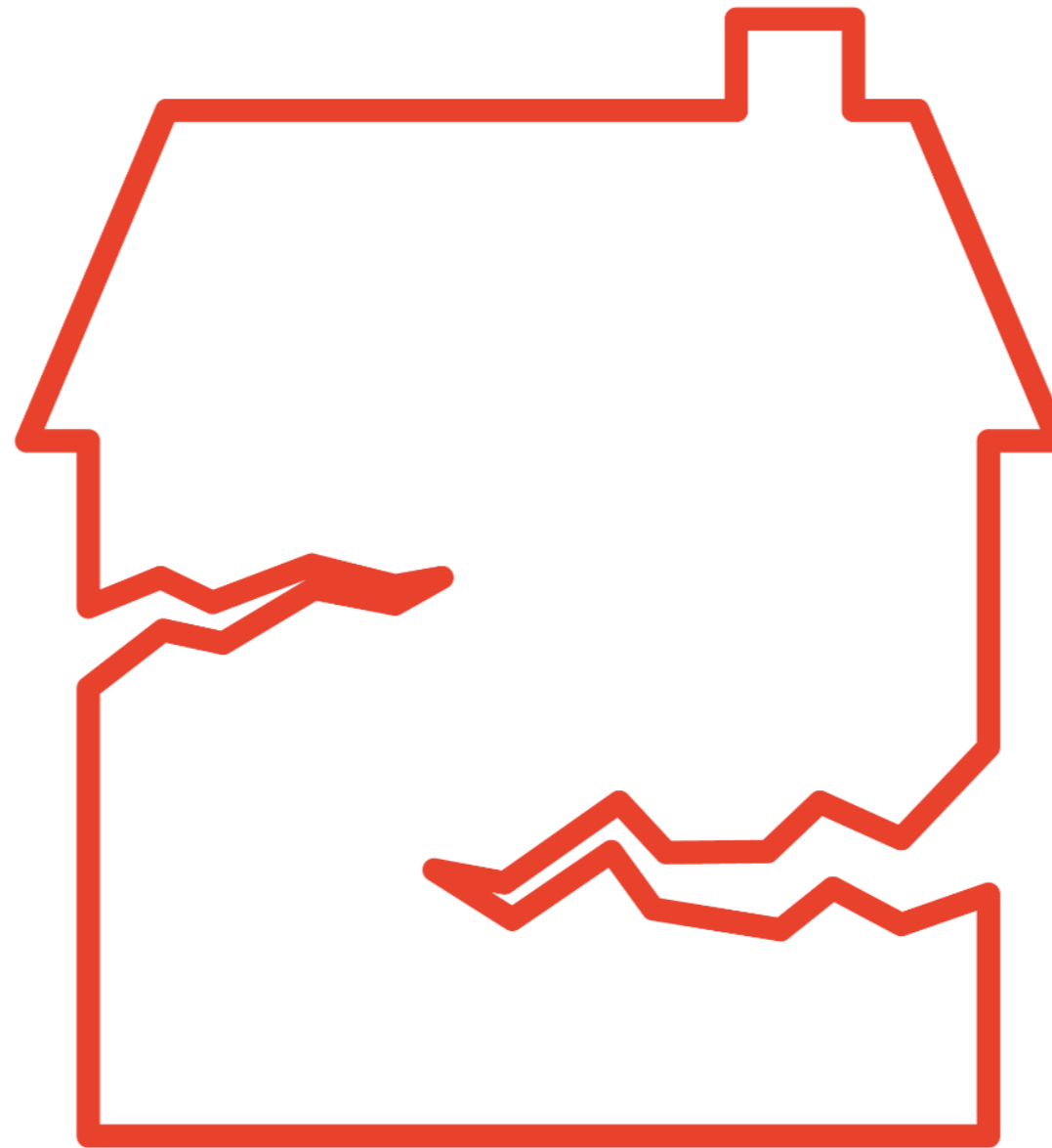


\*If reinspection valuation returned as expected and there are no changes, the case will complete on the BTL mortgage and bridging finance will be repaid.

# REFURBISHMENT BUY TO LET

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BUY TO LET MORTGAGES





# REFURBISHMENT BUY TO LET

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BUY TO LET MORTGAGES

# REFURBISHMENT BUY TO LET

## BUY TO LET MORTGAGES

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Buy to Let remortgage maximum **£120,000**

(subject to rental affordability assessment)

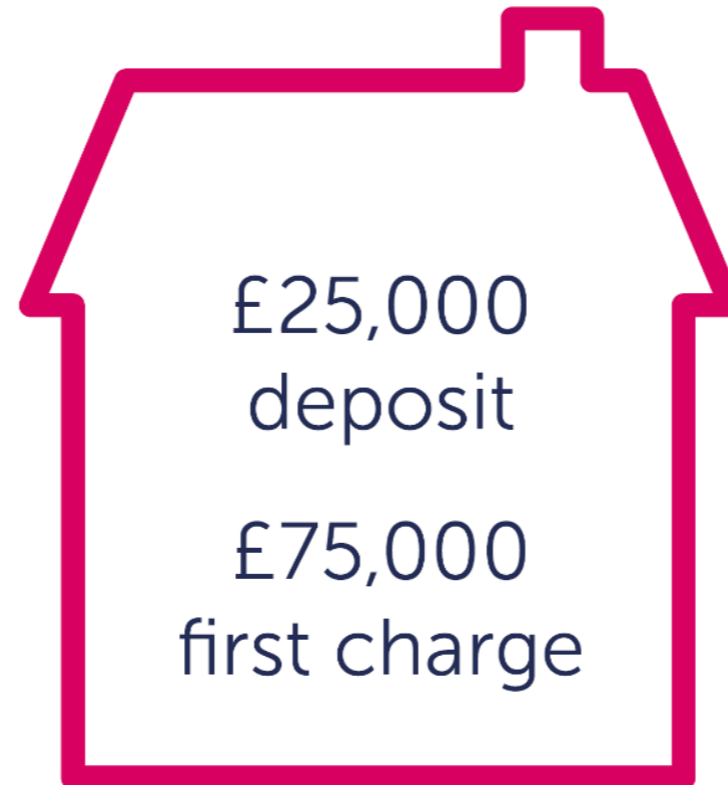


# BRIDGE TO LET

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BRIDGING FINANCE

**£100,000**  
purchase price



**£150,000**  
end value



# BRIDGE TO LET

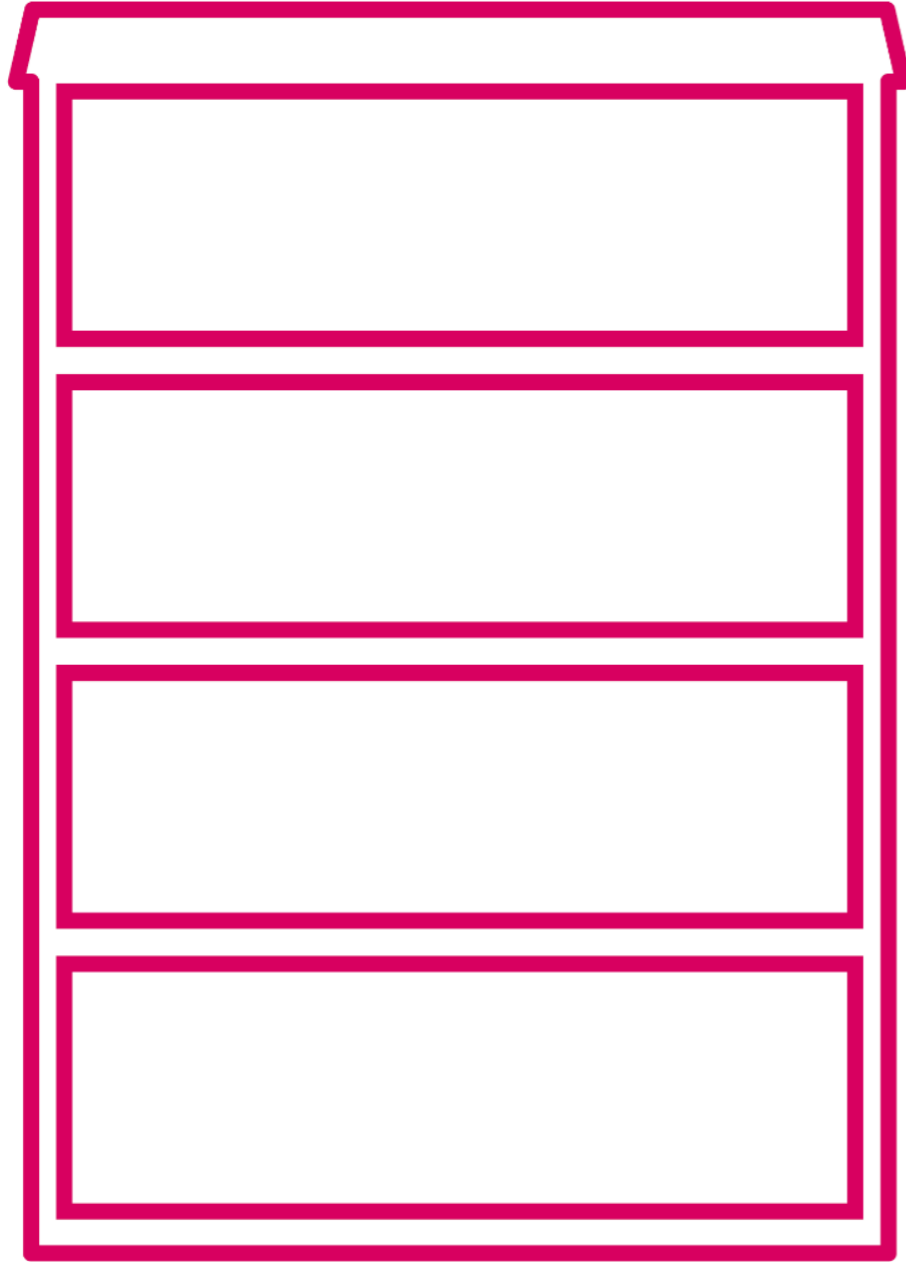
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BRIDGING FINANCE

# TIME FOR US TO HELP

## BRIDGING FINANCE

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Mr Stone has planning permission to convert an existing Victorian property into four two bedroom flats. The ground floor of the property was historically used as an office.

**Current value**    **£750,000**

**Cost of works**    **£200,000**

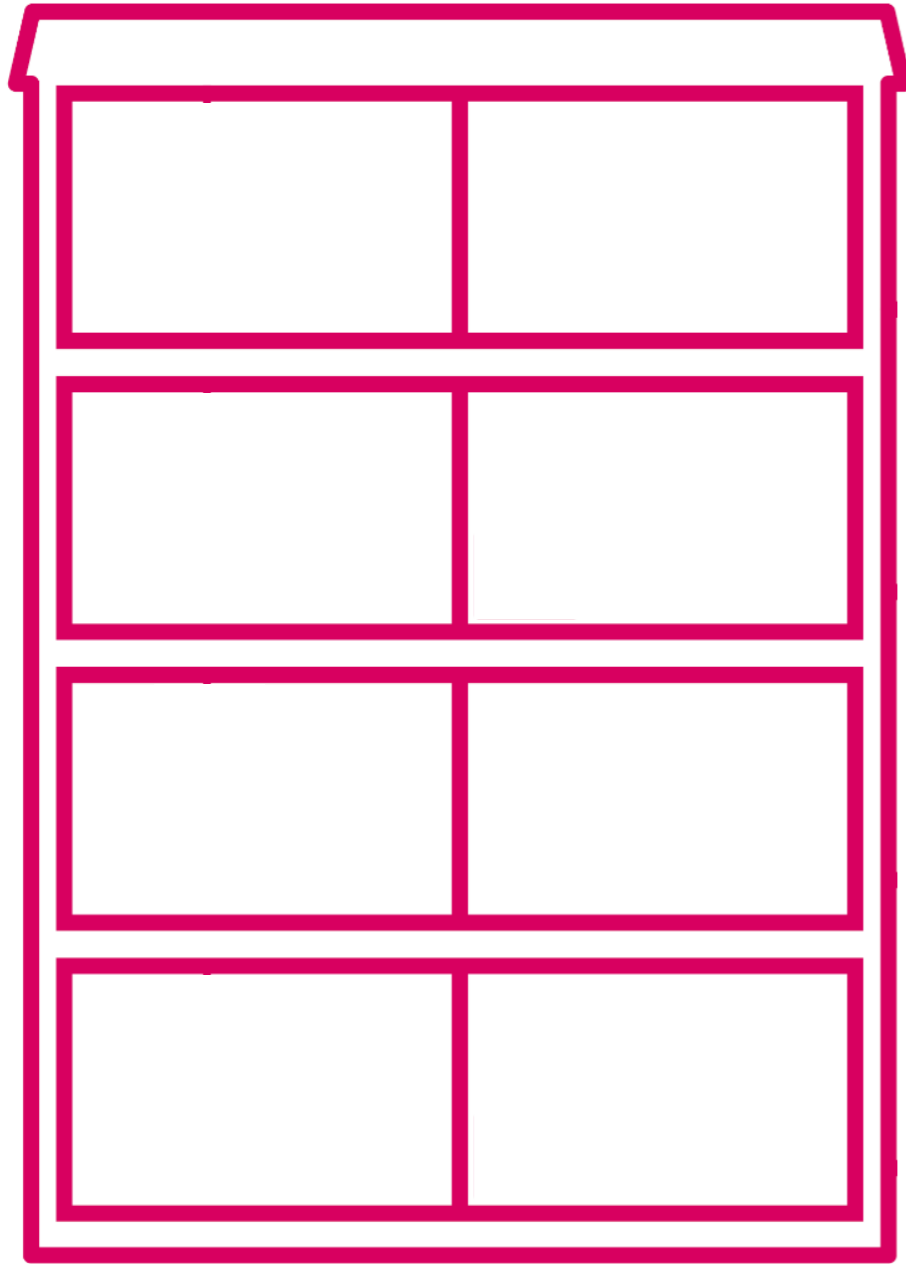
**GDV**    **£1,500,000**



# TIME FOR US TO HELP

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BRIDGING FINANCE



# THE BUY TO LET TIMELINE

BUY TO LET MORTGAGES



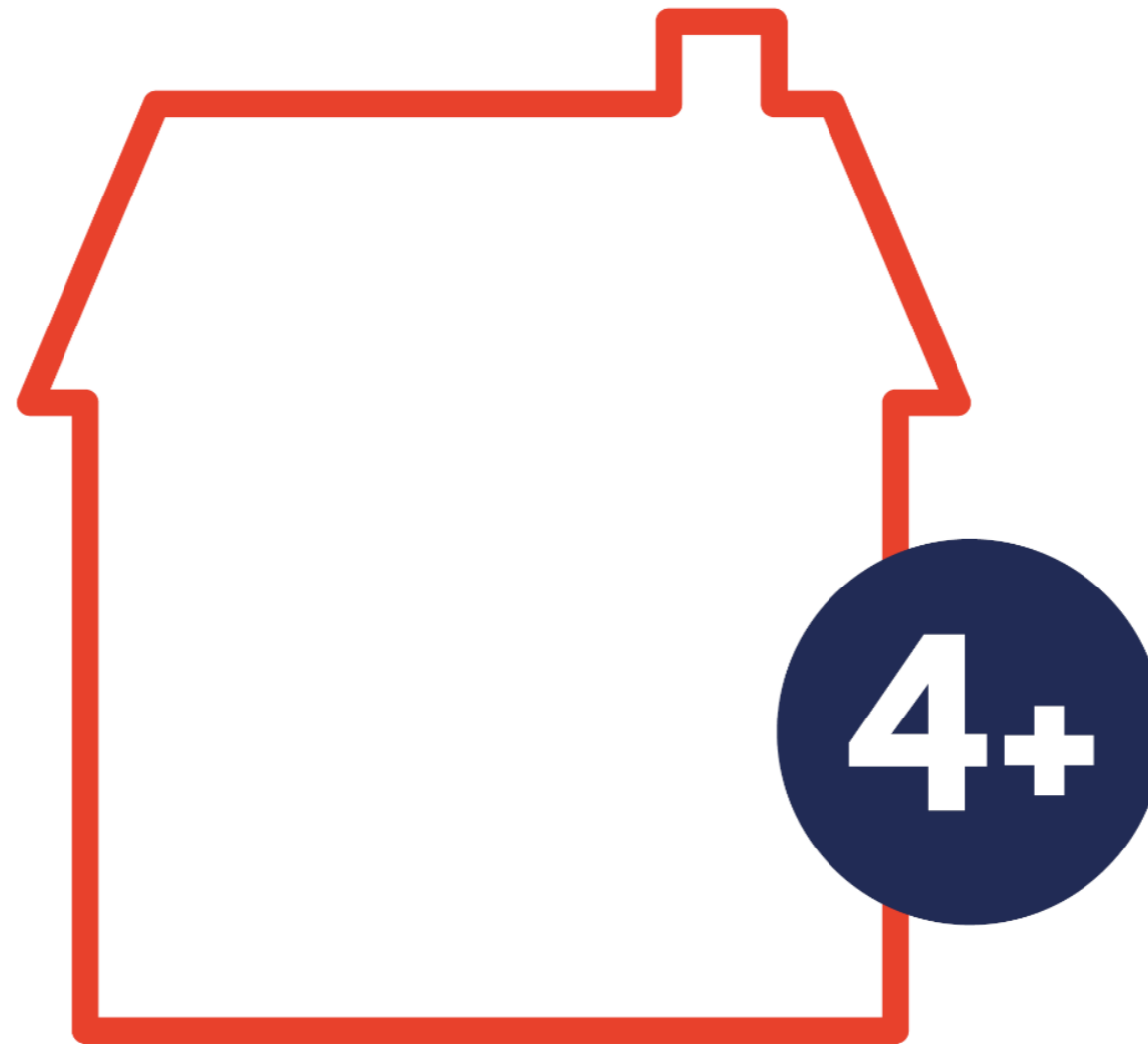
**PRA 1:** Buy to  
Let underwriting  
standards

**2017**

**2017**

**PRA 2:**  
Portfolio  
landlords





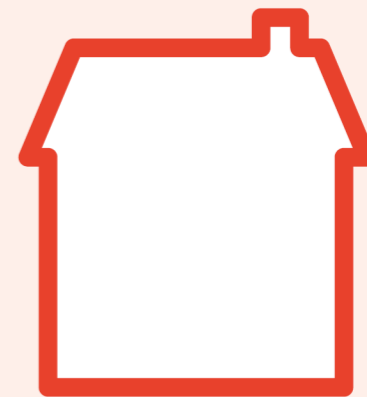
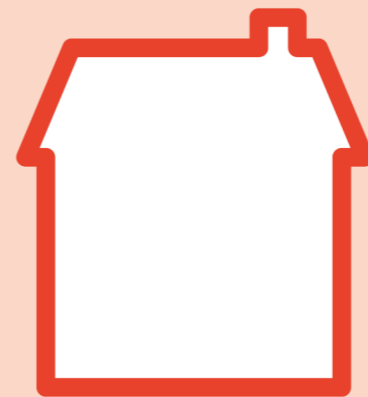
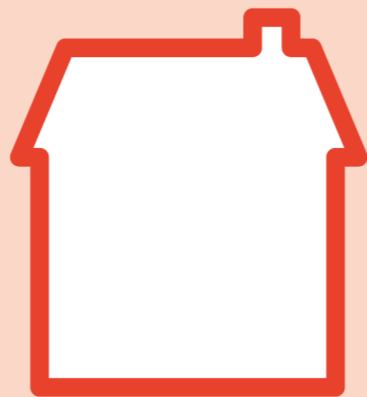
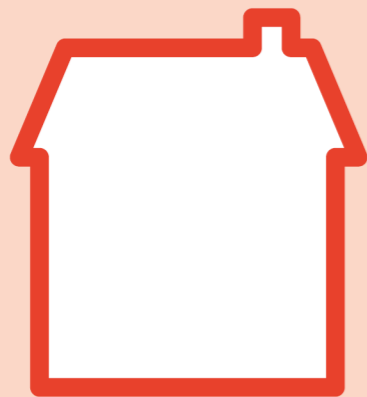
# PORTFOLIO LANDLORDS

BUY TO LET MORTGAGES

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## NON-PORTFOLIO LANDLORD

applicants have 3 or fewer mortgaged buy to let properties.



## PORTFOLIO LANDLORD

applicants have 4 or more mortgaged buy to let properties or 3 mortgaged buy to let properties, plus at least 1 pending application with us.

# PORTFOLIO LENDING LIMITS

## BUY TO LET MORTGAGES

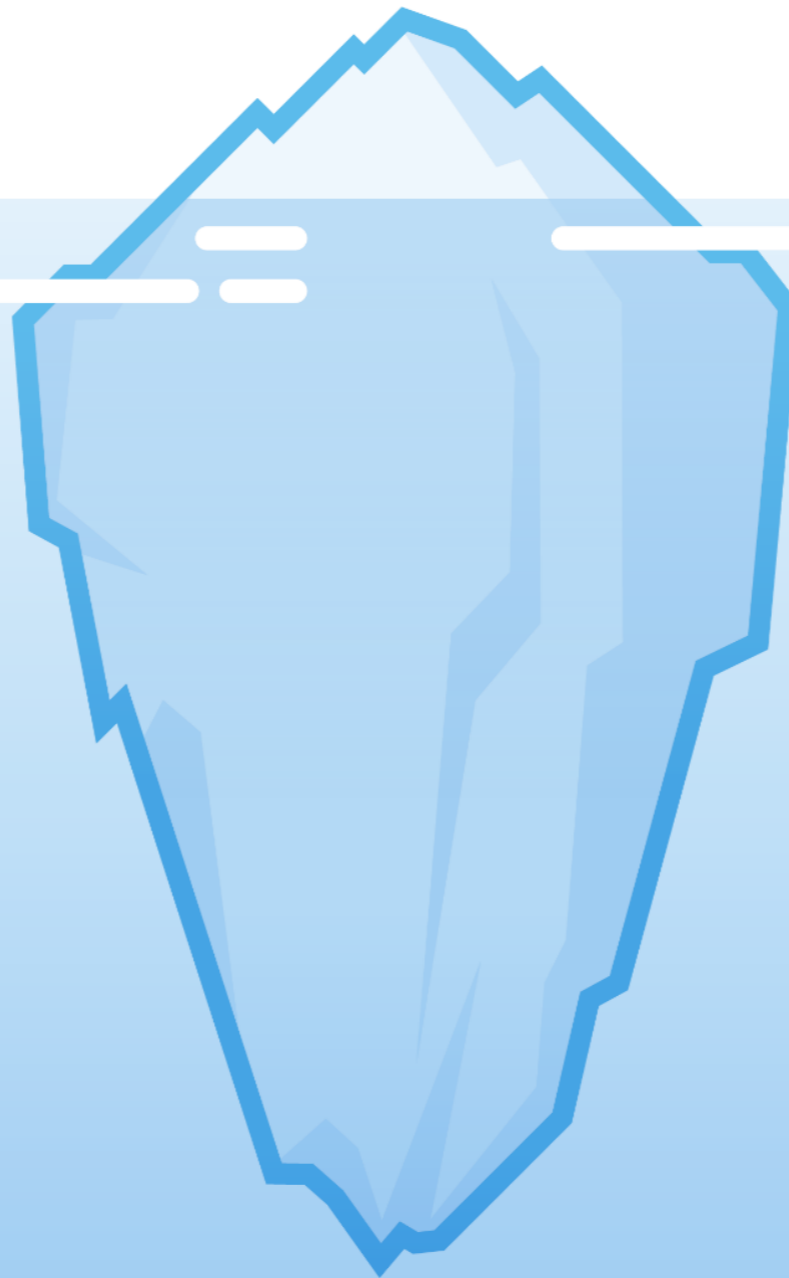
Up to 20 individual properties with Precise Mortgages up to a maximum combined value of £10,000,000. Unlimited portfolio with other lenders.

LOAN AMOUNT	UP TO 5 APPS	6 TO 10 APPS	11 TO 20 APPS
UP TO £500,000	80%	75%	70%
UP TO £750,000	75%	75%	70%
UP TO £1,000,000	70%	70%	70%
UP TO £3,000,000	60%	60%	60%

# LANDLORDS

BUY TO LET MORTGAGES

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## Buy to Let Mortgage Submission Guide

For any queries you have on submitting a case to us, please contact our [Sales Team](#).



Documentation required		Personal Ownership			Top slicing		Limited Company			HMO/ Multi-unit Personal	HMO Personal	HMO/ Multi-unit Ltd Co	HMO Ltd Co	Holiday Let Personal	Holiday Let Ltd Co
		1	2-3	FTB	1	2-3	1	2-3	FTB	1	2	1	2	1	1
<b>All applications</b>	<a href="#">Standard Declaration</a> (signed and dated)	•	•	•	•	•	•	•	•	•	•	•	•	•	•
<b>Employed</b>	3 months' payslips (latest 3 and must be consecutive)			•	•	•			•					•	•
	Latest P60			•	•	•			•					•	•
	Basic rate taxpayer: latest payslip or P60	•	•						•	•					
	Latest 3 months' bank statements (latest 3 and must be consecutive)		•	•		•			•	•		•			
<b>Self-employed</b>	Latest accounts or SA302 or tax calculations and corresponding TYO (tax year overview) (the number of accounts or tax calculations provided should match the number of years of income keyed)			•	•	•			•					•	•
	Basic rate taxpayer: SA302 or tax calculation	•	•						•	•					
	Latest 3 months' bank statements (latest 3 and must be consecutive)		•	•		•			•	•		•			
	<a href="#">5 year fixed form</a> and supporting evidence for the one option selected:	•	•	•	•	•	•	•	•	•	•	•	•	•	•
<b>All 5 year fixed products (where LTV exceeds 60%)</b>	Net worth: Property portfolio form (evidencing £250k in residential or £500k portfolio equity)	Evidence should be provided to support the selection made on the <a href="#">5 year Fixed form</a> .													
	Liquid assets: Investment/cash deposits (share certificate, bank statements etc accepted)														
	Excess disposable income (EDI): Latest payslip and P60 or accounts or SA302 or tax calculation (sufficient income to cover any rental shortfall)														
<b>Limited Company</b>	'Downloadable paper-based' <a href="#">Direct Debit Mandate</a> (DD account to match company name)								•	•	•			•	•
	SIC Code one of the following: 68100, 68209, 68320								•	•	•			•	•
	Applicants must match the directors/shareholders listed on Companies House								•	•	•			•	•
<b>Portfolio Landlord (4 or more mortgaged BTL properties)</b>	<a href="#">Existing property portfolio form</a>	•	•						•	•	•	•	•	•	•
	<a href="#">Business Plan</a>	•	•						•	•	•	•	•	•	•
	<a href="#">Personal Assets &amp; Liabilities form</a>	•	•						•	•	•	•	•	•	•
	Cash flow bank statements (latest 3 months business or personal)	•	•						•	•	•	•	•	•	•

**Have the following on your file, we may request it:**

- ▶ **ID and proof of address** - where we are unable to electronically verify an applicant's ID or address history we will require documentary evidence.
- ▶ **Proof of deposit** - most recent bank statement showing full deposit amount and evidence of the deposit source. A [Gifted Deposit Form](#) is available from our website.
- ▶ **Evidence of mortgage payments** - where we are unable to verify mortgage conduct, we will require evidence of payments by way of mortgage statements.
- ▶ **Evidence of income** - sufficient income to cover current commitments. If sole income is pension, please provide personal and/or occupational pension evidence covering the last 12 months.

Help us to help you

All documents should be uploaded to the application via the online portal.  
Providing everything we need will reduce the time it takes us to get to offer.

FOR INTERMEDIARY  
USE ONLY.

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