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What Expenses Can Residential Landlords Claim?

A plain-English guide to what HMRC lets you deduct ***and the two rules that catch most landlords out.***

Why this matters

Rental income is taxed on profit, not on the rent you receive, so knowing what counts as an allowable expense makes a real difference to your bill. Most of the rules are straightforward, but two areas (mortgage interest and the repairs versus improvements line) trip up even experienced landlords.

The core allowable expenses

- Letting agent and property management fees
- General maintenance and repairs
- Utility bills paid on the tenant's behalf (gas, electricity, water rates)
- Buildings, contents and public liability insurance
- Ground rents and service charges
- Council tax, where the landlord pays it
- Accountancy fees
- Legal fees for lettings of a year or less
- Advertising for tenants
- Phone calls, stationery and the business-use share of vehicle costs
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Mortgage interest: the rule that changed

Since 6 April 2020, mortgage interest can no longer be deducted from rental income directly. Instead, landlords receive a tax credit worth 20% (the basic rate) of their finance costs, applied after the rest of the tax calculation. Only the interest portion qualifies, never the capital repayment, and higher-rate landlords with large mortgages can end up paying more tax under this system than they would have under the old rules.

Repairs, improvements and replacing items for tenants

Repairs that restore a property to its previous condition are deductible: replacing broken roof tiles, fixing a boiler, repainting a room. Improvements, such as an extension or a genuine upgrade in specification, are capital costs and are not deductible against rental income, though they can reduce capital gains tax when the property is eventually sold.

Replacing furniture, appliances or kitchenware for tenants' use is also deductible, provided it is a like-for-like swap rather than an upgrade, and the old item is disposed of. The very first purchase of such items does not qualify, only the replacement does.

KEY TAKEAWAY

Landlords with rental income under £1,000 can claim a flat property allowance instead of itemising expenses, though not both. Above that, keep receipts for everything and flag any mortgage interest or capital improvement costs to us separately: they're treated differently from everything else on this list and cannot be reclaimed until the property is sold.

What to do next

- Keep a running log of expenses and receipts through the year, not just at tax time
- Separate repairs from improvements as you go, rather than sorting it all out in January
- Check whether the property allowance or itemising expenses works out better for you
- Get in touch if you're not sure how a specific cost should be treated