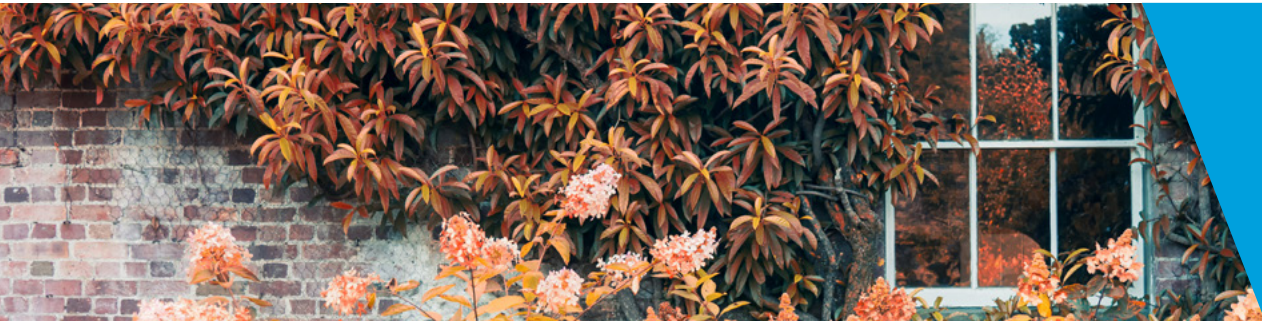


Property Matters Newsletter



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The property sector continues to face a period of significant change, with new tax, reporting and compliance obligations affecting both landlords and homeowners.

As the Government progresses its programme of reforms, it is becoming increasingly important for property owners to ensure that their affairs remain both tax efficient and fully compliant.

In this edition, we consider several key issues that are likely to be relevant to many property owners. These include the implications of Making Tax Digital for Income Tax (MTD for IT), the importance of ensuring that rental income is taxed on the correct ownership basis through the use of Form 17 where appropriate, practical year-end tax planning opportunities for landlords, and the continued value of Inheritance Tax (IHT) planning, including the Residence Nil Rate Band (RNRB) and Downsizing Relief.

We also highlight an important regulatory development for landlords. The Government has confirmed that England's new Register Your Rental Property Service will begin rolling out from 15 December 2026 as part of the implementation of the Renters' Rights Act 2025. Under the new regime, landlords of residential properties let on assured or regulated tenancies will be required to register both themselves and their rental properties on a central database and keep the information up to date. Registration will be introduced on a phased regional basis, with all affected landlords expected to register during the rollout period. Failure to comply may result in significant financial penalties. The scheme is intended to improve transparency, raise standards within the private rented sector and provide greater protection for tenants.

Given the combined impact of these tax and compliance changes, now is an ideal opportunity for landlords and property owners to review their ownership structures, record-keeping systems, tax planning arrangements and future succession plans. Professional advice can help identify potential opportunities, avoid costly mistakes and ensure that preparations are in place well before the new rules take effect.

The articles that follow provide an overview of these key developments and explain the practical considerations that property owners should be discussing with us at Whitings LLP.

Get In Touch

If you wish to discuss any of the matters covered in this newsletter, please do get in touch with your usual Whitings contact, the author of the article or alternatively your local Whitings office, and we will be happy to help you.



Disclaimer: All information was correct at time of writing. Please contact us for current guidance on any of the topics discussed.

Form 17 and Rental Income Splits



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Are You Paying More Tax Than Necessary?

With Making Tax Digital for Income Tax (MTD for IT) initial phasing in from April 2026, landlords should take the opportunity to review how rental income is reported and whether the correct ownership split is being used for tax purposes.

For married couples and civil partners who jointly own rental property, the default tax position is that rental income is split equally between them, regardless of their actual beneficial ownership. Where one spouse pays tax at a higher rate than the other, this could result in a higher overall tax liability than necessary.

When Can Form 17 Help?

Where spouses or civil partners genuinely own a property in unequal beneficial shares, a Form 17 declaration allows rental income to be taxed according to those actual ownership interests rather than the default 50:50 split.

Importantly, Form 17 does not create an unequal ownership arrangement. It simply notifies HMRC that unequal beneficial interests already exist. Evidence of those interests, typically in the form of a declaration or deed of trust, must be provided.

A Practical Example

A couple may purchase a rental property with one spouse contributing 80% of the funding and the other 20%, with their beneficial ownership documented accordingly. Alternatively, one spouse may subsequently transfer part of their beneficial interest to the other.

The key point is that the ownership interests must be genuine. You cannot simply choose a more favourable income split for tax purposes without changing the underlying beneficial ownership of the property. Where a valid Form 17 election is in place, each spouse should report their share of rental income in line with their beneficial interest.

Points to Consider

As landlords prepare for MTD for IT, now is a good time to review ownership structures and ensure rental income records reflect the correct tax treatment.

However, care should be taken before altering beneficial ownership solely to save income tax. Changes to ownership may have wider legal and tax implications, including Capital Gains Tax, Stamp Duty Land Tax and succession planning considerations.

Form 17 must be submitted to HMRC within 60 days of being signed and should be accompanied by evidence of the unequal beneficial ownership.

To review your property ownership structure or discuss whether a Form 17 declaration is appropriate, please contact us.

MTD for IT - Joint Ownership



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Navigating the Rules for Co-Owners

With Making Tax Digital for Income Tax (MTD for IT) already in place for landlords, where gross rents (and self employment income) are above £50,000 per annum, joint property owners should take particular care to understand how the rules apply to them. While owning a rental property with a spouse, partner, family member or friend can spread the investment risk, it will also create additional reporting responsibilities to HM Revenue and Customs (HMRC).

A common misconception is that jointly owned rental property is automatically treated as a partnership. In most cases, this is not true. Generally, jointly owned rental properties are part of each owner's individual property income, and reported as such as

property income on their individual self assessment tax return. This means each co-owner must consider their own share of gross rental income when determining whether they fall within the MTD for IT regime, and each co-owner must register for MTD for IT and maintain their own digital records submitting quarterly updates for their own share of the property income and expenses through compatible software.

The practical lesson is simple, agree from the outset how income and expenses will be recorded, ownership percentages, maintain clear records, and ensure each owner reports their correct share to HMRC so as to prevent errors, reduce administration and ensure compliance. Simple matters such as a separate joint bank account for the "rental" incomings and outgoings and jointly accessible software.

Get In Touch

If you jointly own rental properties and are unsure how MTD for IT affects you, now is the ideal time to seek advice and prepare for the new reporting requirements.



Property Tax Planning in 2026



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Key Considerations for Landlords

With rising costs, changing tax rules and continued pressure on rental yields, 2026 is an ideal time for landlords to review their tax position. A proactive review can improve cash flow, maximise available reliefs and help avoid unexpected tax liabilities.

Property remains a popular long-term investment, but the tax landscape continues to evolve. Understanding how current rules affect your portfolio is essential for effective financial planning.

Review Your Rental Income Position

Landlords should regularly review their rental profits, expected tax liabilities and payment dates. With the phased introduction of Making Tax Digital for Income Tax (MTD for IT), accurate record keeping and regular monitoring of property income will become increasingly important.

Ensuring that income and expenditure records are complete and up to date can help identify planning opportunities and avoid errors in future reporting.

Consider Whether Your Ownership Structure Remains Appropriate

The way a property is owned can have a significant impact on the overall tax burden. Owning property personally, jointly with a spouse or civil partner, or through a limited company can produce very different outcomes.

However, any restructuring should be carefully considered. Changes in ownership may trigger Capital Gains Tax (CGT), Stamp Duty Land Tax (SDLT) and legal costs, so professional advice should be obtained before taking action.

Check Capital Expenditure

It is important to distinguish between repairs and improvements. Repairs are generally deductible against rental income, whereas improvements are usually treated as capital expenditure and may only attract tax relief when the property is sold.

A review of recent expenditure can help ensure costs have been treated correctly.

Review Your Borrowing Position

Mortgage interest relief for individual landlords continues to be restricted to a basic rate tax credit of 20%. As a result, higher-rate and additional-rate taxpayers may face a greater tax burden than under previous rules.

Reviewing borrowing arrangements, refinancing options and cash flow requirements may help improve the overall performance of a property portfolio.

Don't Leave Tax Planning Until Year End

Many tax planning opportunities are most effective when considered in advance. Reviewing your position before the end of the tax year provides time to address record-keeping issues, consider planning opportunities and make informed decisions.

As every landlord's circumstances are different, professional advice can help ensure you remain compliant while making the most of available tax reliefs. If you would like to discuss your property portfolio, please contact the Whittings LLP Tax Team.



Inheritance Tax Planning



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Don't Overlook the Residence Nil Rate Band

Recent and forthcoming changes to Inheritance Tax (IHT) have brought estate planning firmly into focus.

One valuable relief that should not be overlooked is the Residence Nil Rate Band (RNRB).

The RNRB is an additional IHT allowance of up to £175,000 per individual, available on top of the standard Nil Rate Band (NRB) of £325,000. Together, these allowances can significantly reduce the amount of IHT payable on death.

Unlike the NRB, which can be set against any assets within an estate, the RNRB is specifically linked to a qualifying residential property.

To qualify, several conditions must be met:

- The property must have been the deceased's main residence at some point.
- The property must pass to a direct descendant, such as a child, grandchild or great-grandchild. This definition also includes adopted children, stepchildren, foster children and the spouses or civil partners of those descendants.

For married couples and civil partners, any unused RNRB can generally be transferred to the surviving spouse or civil partner, potentially doubling the available relief on second death.

However, the RNRB is subject to a tapering provision for larger estates. Where the net estate exceeds £2 million, the allowance

is reduced by £1 for every £2 above that threshold. As a result, the RNRB is fully withdrawn once the net estate reaches £2.35 million.

Importantly, the £2 million test is applied after deducting liabilities, but before the deduction of reliefs such as Agricultural Property Relief or Business Property Relief.

Downsizing Relief

Individuals who have downsized, moved into care, or disposed of a former main residence may still be able to benefit from the RNRB through the Downsizing Addition. This provision helps ensure that families are not disadvantaged simply because a qualifying residence is no longer owned at death.

As with many areas of IHT, the rules are complex and opportunities can easily be missed. If you would like to discuss your circumstances, please contact the Whitings LLP Tax Team.



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