

Landlord Tax: Section 24 & MTD

What every UK landlord needs to know now — how Section 24 changed mortgage interest relief, the expenses you can claim, and how Making Tax Digital changes your reporting from April 2026.

Tax year **2025/26** · Reviewed by **Kiran Boparai** · Last reviewed **6 June 2026** · Sources: gov.uk

PROPERTY ALLOWANCE

£1,000

MORTGAGE INTEREST RELIEF

20% tax credit

MTD INCOME THRESHOLD

**£50,000 from Apr
2026**

CGT RATES

18% · 24%

01 How rental income is taxed

Your rental profit — rent received less allowable expenses — is added to your other income and taxed at your marginal rate. You report it through Self Assessment.

- i** The first £1,000 of rental income can be covered by the property allowance instead of claiming expenses.

02 Section 24 — the mortgage interest change

Since 2020 you can no longer deduct mortgage interest from rental income. Instead you get a 20% basic-rate tax credit on the interest. For higher-rate landlords this means paying tax on profit you did not really make.

- i** Section 24 can push a higher-rate landlord's effective tax rate well beyond 40%.

03 Allowable expenses

What you can deduct from your rental income:

- Letting agent and management fees
- Repairs and maintenance — but not improvements
- Landlord insurance
- Ground rent, service charges, and council tax when you pay it
- The 20% tax credit for finance costs

- i** Replacing a like-for-like item is a repair; upgrading it is an improvement (capital).

04 Limited company vs personal ownership

Companies still deduct mortgage interest in full and pay Corporation Tax rather than Income Tax, which is why many higher-rate landlords incorporate. But incorporating carries Stamp Duty, Capital Gains Tax and extra admin.

- i** Incorporation suits some portfolios and not others — model it before you move.

05 Making Tax Digital from April 2026

From April 2026, landlords with gross property (plus self-employment) income over £50,000 must keep digital records and send HMRC quarterly updates through MTD software. The threshold drops to £30,000 in 2027 and £20,000 in 2028.

- i** Quarterly updates do not replace your year-end Self Assessment — that still happens too.

06 Selling up — Capital Gains Tax

When you sell a rental property, CGT applies to the gain:

- Residential property is taxed at 18% (basic rate) and 24% (higher rate)
- You must report and pay within 60 days of completion
- Only £3,000 of gains are tax-free each year

Common questions

What is Section 24?

The rule that stops landlords deducting mortgage interest from rental income. You now get a 20% basic-rate tax credit instead, which leaves higher-rate landlords paying more.

When does Making Tax Digital start for landlords?

April 2026 for landlords with gross property and self-employment income over £50,000, then £30,000 from 2027 and £20,000 from 2028. You will keep digital records and file quarterly.

Should I put my rental property in a limited company?

It can help higher-rate landlords because companies still deduct mortgage interest in full, but incorporation triggers Stamp Duty and Capital Gains Tax and adds admin. It is a case-by-case decision worth modelling.

NEXT STEP

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