



army families federation  
*the voice of the Army community*

# Briefing

May 2017

## Impact of the new 'landlord tax' rules on Army families

“This new tax rule unfairly penalises Army families who only own one property but cannot live in it due to the mobile nature of Service life.”

Laura Lewin  
07799 045955  
etam@aff.org.uk

In April 2017, a new ‘landlord tax’ was introduced and will be gradually phased in until fully implemented by 2020. The new rules mean that certain deductions, such as the mortgage interest payment, can no longer be made before calculating the tax owed.

This has a potentially significant impact on Army families who own a property, as they may not always be able to live in their home if posted by the Army to other locations. These families are not property investors or commercial landlords, but accidental landlords who will be financially penalised for owning one home, which they cannot live in due to the mobile nature of Service life.

Following concerns expressed by Army families, AFF conducted a survey in April 2017 to determine what impact the new ‘landlord tax’ will have on families who have to rent out their home to cover costs when posted away.

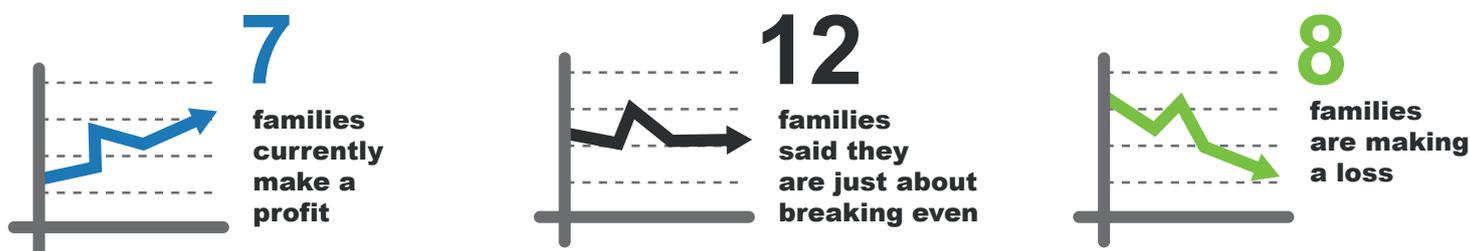
The survey was sent to 252 people from our Research Panel who had self-identified as homeowners, and to families who had written to complain about the change. 61 respondents took the survey, with 52 respondents meeting the criteria of only owning one property they consider their home.

---

## Current profit/loss

Respondents 27

We asked families if they currently made any profit on their rental income after they had paid out all their expenditure on the property (e.g. full mortgage, letting agent’s fees, insurance, maintenance and repairs, tax bill for the property). We found that the majority are just about breaking even.



“We would love to live in our own house. We rent it reluctantly because of where we are posted. We make a loss every month because our mortgage interest is higher than our rent, but do it so we have a house of our own.”

## Profit/loss in 2020

Respondents 25

“The tax changes mean we will now not only lose money on it every month, but we’ll also owe tax on the losses (!) This is putting us under pressure to either sell our house (something we don’t want to do for our future financial security) or separate the family to live back in the house and my serving husband to weekly commute.”

By 2020, five out of six families who said they currently made a profit said they would still make a profit under the new rules.

Ten out of the twelve families who said they currently break even, said they would then make a loss.

## Survey case studies

### Type of property

Own one property they live in when postings allow, but currently renting out as posted away

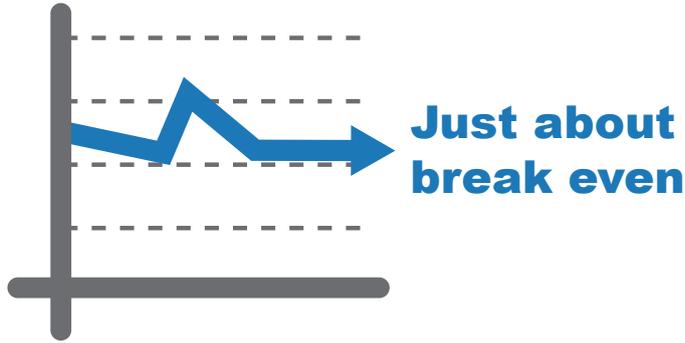
**TAX BILL**  
2015/16

**£1,800**

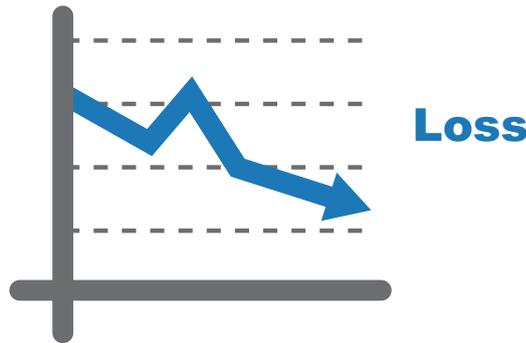
**ESTIMATED TAX BILL**  
2020

**£3,900**

### Are they currently making a profit or loss?



### Will they make a profit or loss under new tax rules in 2020?



**- £2,100**

How much do they estimate the annual loss to be (per year)?

### Type of property

Own one property, which they intend to live in on leaving the Army or use to sell to purchase their post Army home

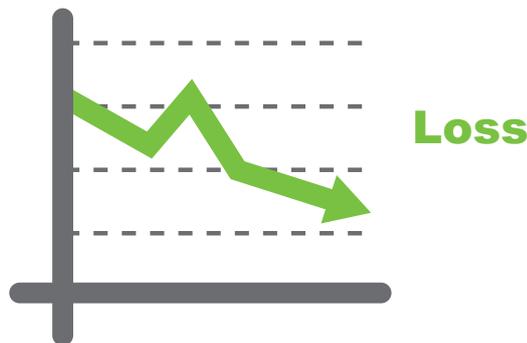
**TAX BILL**  
2015/16

**£2,476**

**ESTIMATED TAX BILL**  
2020

**£4,275**

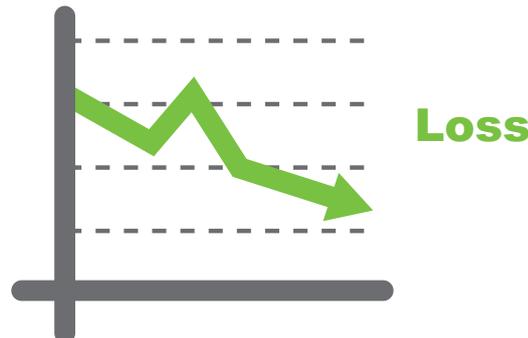
### Are they currently making a profit or loss?



How much is the current annual profit (per year)?

**- £1,187**

### Will they make a profit or loss under new tax rules in 2020?



**- £2,985**

How much do they estimate the annual loss to be (per year)?

## Government policies

The Future Accommodation Model (FAM) is encouraging home ownership for Service families with schemes such as the Forces Help to Buy introduced to help Service families onto the property ladder. Without a guarantee of stability, for FAM to truly work and for families to buy into it, they need to see they will not be out of pocket because of their soldier's Service.

In 2016, many high street lenders acknowledged the challenge of mobility facing Service personnel who owned a home but had to move due to Service reasons. To combat this disadvantage they agreed that, under these circumstances, the serving person could remain on a residential mortgage instead of having to transfer to a buy-to-let mortgage. AFF saw this recognition of the extenuating circumstances as a positive step in line with the principles of the Armed Forces Covenant and believes the government should now show the same support by agreeing to tackle the unfair disadvantage many families will face under the landlord tax.

## AFF View

Mobility is required of serving personnel and their families, but at the same time, they are being encouraged to own their home to reduce reliance on Service Family Accommodation. For those who do decide to buy a home, they face many administrative and financial difficulties in reconciling mobility and home ownership.

If the results of our survey are indicative of the situation of other military families, then most mobile home owners will be out of pocket due to the introduction of the landlord tax. On top of pay freezes, reduction in allowances and the rising cost of living, families may be forced to choose between home ownership and serving in the Armed Forces.

As long as the Army continues to require its soldiers to be mobile, then AFF believes that Armed Forces personnel, who only own one property but rent it out, should be exempt from this policy.

*"It's just another reduction in the amount of money I have in my pocket, which will ultimately mean I leave the Army as I can't afford to stay in"*