PARAGON MORTGAGES PRESS RELEASE
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LANDLORDS CALL ON NEW GOVERNMENT TO REVERSE TAX RELIEF CHANGES

- Landlords call for reversal of changes to tax relief on buy-to-let mortgage interest
- 9 out of 10 landlords now say they understand the implications of the tax changes
- Gross rate of return maintains long-term average of 6%

Landlords have called on the new Government to prioritise a reversal of the changes to tax relief on buy-to-let mortgage interest, according to Paragon Mortgages' latest PRS Trends Report for Q2 2017, based on interviews with 201 experienced residential landlords.

The tax changes, announced in the 2015 Summer Budget by then Chancellor George Osborne, are being phased in over three years from April 2017, and mean higher-rate taxpayers can no longer offset all their mortgage interest against rental income before calculating the tax due.

Following last month's UK General election, we asked landlords taking our Q2 2017 PRS Trends survey to rank the action they would most prefer the new Government to take to help with their residential lettings business. The highest-ranking answer was a reversal of the income tax relief changes.

The second ranked answer was for no more change, in favour of a period of stability following a turbulent two years which also saw the introduction of a 3% Stamp Duty surcharge for second homes from April 2016.

The third most popular action landlords would most prefer the new Government to take is an exemption from capital gains tax and Stamp Duty for landlords moving properties into a limited company structure, a strategy that 11% of landlords reported having already taken in Q2 2017 to help mitigate the impact of the tax changes.

The other most commonly reported actions taken by landlords in Q2 were to increase rent (20% of landlords), sell property and buy no more (20%), or repay some or all of the mortgage (18%).

This all comes as 88% of landlords, up from 71% six months ago, say they now understand the personal implications of the tax changes, the highest reported figure since we first asked the question in Q4 2015.

John Heron, Managing Director, Paragon Mortgages, said: "Having taken active steps in preparing for a difficult period of transition as the tax relief changes continue to be phased in, landlords are now facing up to the challenge ahead.

"Higher tax charges for landlords have combined with a general increase in uncertainty to drive confidence levels down. However, whilst there are signs of lower demand it would appear that property yields are being maintained and that void periods are close to historic lows. This would suggest that despite the negativity around the market that the PRS continues to perform well."

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NOTES TO EDITORS

Paragon Mortgages is a leading provider of buy-to-let mortgages delivering lending solutions designed for professional landlords with more complex requirements. These include lending to limited companies as well as private individuals, lending on more complex property including HMO's and multi-unit blocks, higher aggregate lending limits and the ability to accommodate more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

Paragon Mortgages introduced its first product aimed at the professional property investor in 1995 and is a member of the Council of Mortgage Lenders (CML), the Intermediary Mortgage Lenders Association (IMLA), National Landlords Association (NLA) and the Association of Residential Letting Agents (ARLA).

Paragon Mortgages is part of The Paragon Group of Companies, a FTSE 250 company and a specialist provider of finance.

In February 2014 Paragon Group launched its banking subsidiary, Paragon Bank PLC. It is a retail-funded lending bank with a direct-to-consumer Internet platform for savings. Its loan products are distributed via intermediaries. The Bank is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.