

Protecting your Property Investments



How to Reduce your Rental Income Tax Liability by Protecting your Mortgage

The recent recovery in property prices followed by an improvement in the rental market will have pleased many professional and “accidental” landlords. Although there is a long way to go for many of us to get back to where values were pre-Crash, in many parts of the Country, rents have recovered rapidly due to a combination of increased demand for accommodation and an inadequate supply of new property development.

With this increase in rental income comes a corresponding increase in the property investor’s tax liability. Despite some improvements in Budget 2017, the liability is still quite significant. Coupled with this is the recourse nature of most mortgages. A significant proportion of rental properties purchased in the last 12 years remain in negative equity. In the event of the unfortunate death of a property owner who has an investment property in negative equity, the bank concerned will no doubt seek to recover their loss from the deceased estate.

Whereas in the past banks haven’t sought life cover on residential investment mortgages, in many cases it is now a prerequisite, albeit not driven by legislation but by the banks’ own risk management processes. Having said that, it is a wise discipline for all investors to adopt, as it protects their estate properly and ensures that, in the event of their untimely death, their hard work and risk-taking has not been in vain.

In addition to protecting your investment, you will be able to offset the premiums paid for the life cover against your rental income, provided the term and the sum assured match that of the particular investment mortgage. This has the appealing result of the cost of the life assurance premiums being reduced in most cases by 40%.

It is important that property investors consider how well protected their investment properties are and seek advice from us to ensure that any life policies are properly structured to qualify as a deductible expense from the rental income.