

## A GUIDE TO CALCULATING THE USEABLE LAND AND PROPERTY INCOME FIGURE

The introduction of Section 24 of the Finance (no. 2) Act 2015 (restriction of tax relief on mortgage interest) has had an impact on the calculation of useable land and property income that we can accept as part of a mortgage application.

This guide will set out what figure we can accept, and how to arrive at it.

Tax year end	2024
<b>% Mortgage interest allowable to off set</b>	<b>0%</b>
Gross rents	£100,000.00
Mortgage interest	£40,000.00
Residential finance costs that can be off-set	£ -
Other costs	£10,000.00
Land & property income <i>(taxable) (also known as "UK property income")</i>	£90,000.00
Residential finance costs that cannot be off-set <i>(also know as "relief for non-deductible property finance charges")</i>	£40,000.00
"Useable" I&p income	£50,000.00

Below is a sample SA302 / tax calculation document where we've highlighted the boxes with the figures that you will need. We've provided a working example of the actual calculation that will give you the useable land and property income figure that should be input into the mortgage application.

### Sample SA302 / tax calculation working figures for the tax year of 2024

Computation Summary		
<b>Investment income</b>		
UK property income		<b>£60,150</b>
Investment income total		<b>£60,150</b>
<b>Income tax reductions</b>		
Relief for non-deductible property finance charges	<b>£36,000</b> @ 20%	(£7,200)
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<b>Calculation</b>		
To calculate the useable figure:		
<b>£60,150</b>	<b>- £36,000</b>	<b>= £24,150</b>

Similarly, below is a sample SA105 / tax return (used for property income) with the appropriate boxes highlighted, and a working example of the calculation.

**Sample SA105 / tax return working figures for the tax year of 2024**

<p><b>20 Total rents and other income from property</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 8 0, 0 0 0 0 . 0 0</p> <p><b>25 Property repairs and maintenance</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 3, 0 0 0 0 . 0 0</p> <p><b>26 Non-residential property finance costs</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . 0 0</p> <p><b>27 Legal, management and other professional fees</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 4, 0 0 0 0 . 0 0</p>	<p><b>29 Other allowable property expenses</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2, 8 5 0 . 0 0</p> <p><b>38 Adjusted profit for the year</b> – use the working sheet in the notes £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 3 6, 1 5 0 0 . 0 0</p> <p><b>40 Taxable profit for the year (box 38 minus box 39)</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 6 0, 1 5 0 0 . 0 0</p> <p><b>44 Residential property finance costs</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 3 6, 0 0 0 0 . 0 0</p>
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**Calculation**

Box 40 minus Box 44

<p><b>40 Taxable profit for the year</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 6 0, 1 5 0 0 . 0 0</p>	-	<p><b>44 Residential finance costs not included in box 26</b> £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 3 6, 0 0 0 0 . 0 0</p>
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**Total useable income = £24,150**

If you have any questions or wish to discuss an application prior to submission, please either contact your Regional Manager or call our customer support team on 0345 849 4040