

Abel on Property

Section 24 — the relief that vanished



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40 years' experience



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1. How mortgage interest used to work



Mortgage interest was a cost of doing business, just like repairs or insurance. It came off your rent before the tax was worked out.

Say your rent was £20,000 a year and your interest was £8,000. You paid tax on the £12,000 that was left. The interest cut your tax bill at your own tax rate — 20p in the pound if you were a basic-rate taxpayer, 40p if you were a higher-rate taxpayer.

That was how it had always been. Nobody questioned it, because it was fair: you were taxed on the money you actually kept.

Landlords built their plans around that rule. They borrowed to buy, expanded their portfolios, and knew exactly where they stood. The relief was part of the furniture — until one day it was not.

***From my desk.** I remember a young landlord buying his third flat, working out the numbers on the back of an envelope. The interest came off, the tax was fair, and he could see his future in those figures. That envelope is still how I teach it — rent in, costs out, tax on what is left.*

Our note — Know your numbers every year, on paper. The landlords who sleep well are the ones who can see their true position at a glance.

2. What changed



Now you cannot take the interest off your rent. Instead, the tax is worked out on the full rent — and then you get a tax credit on your finance costs at the basic rate: 20%.

Go back to that landlord with £20,000 of rent and £8,000 of interest. A higher-rate taxpayer used to get 40p of tax relief for every £1 of interest. Now he gets 20p — and pays tax on the full rent first. That missing half of the relief is the relief that vanished.

It does not matter that you never saw the money. The tax is worked out as if you had. That is the part that shocks people the most: you can owe tax on rent that went straight to the bank as interest.

The credit is still something — 20% is better than nothing — but for a higher-rate landlord it is half of what it was. And half a relief, on a big mortgage, is a big number.

From my desk. *The first tax return after the change, I had to tell a landlord his bill had nearly doubled while his rent had not moved a penny. He thought I had made a mistake. I had not. That conversation is why this book exists.*

Our note — Section 24 does not tax your profit. It taxes your rent, then gives you a 20% credit on the interest. Learn that sentence and you understand the whole change.

3. Who feels it the most



Three kinds of landlord feel it hardest.

First, landlords who pay tax at the higher rate — they lose the most relief, pound for pound. Second, landlords with big mortgages compared to their rent — the bigger the interest bill, the bigger the bite. Third, landlords on thin margins, where there was never much slack to begin with.

There is a fourth surprise too. Because the tax is worked out on your rent before interest, some landlords who always thought of themselves as basic-rate taxpayers have been tipped into the higher rate. The rent pushes you over the line; the interest no longer pulls you back.

When interest rates rise, these landlords are hit twice: once by the higher payment, and once by the higher tax. In 40 years I have seen landlords who were only just making a profit discover they owe tax on money they never really kept. It is a cruel surprise, and it is why I wrote this book.

***From my desk.** One landlord told me he was paying tax on £15,000 of 'profit' while his bank account showed barely half of that. He was not exaggerating — under Section 24, that is exactly how the arithmetic works.*

Our note — If your mortgage is large compared to your rent, or you pay tax at the higher rate, Section 24 is aimed squarely at you. Do not wait for January to find out.

4. How to think about it now



Every year, sit down and re-run your numbers honestly: rent in, costs out, interest, and the tax. Do not guess, and do not use last year's figures — rates move, rents move, and the tax follows both.

Look at your mortgage rate with fresh eyes. If a better deal is out there, take it — under Section 24 every pound of interest you save is worth more to you than it used to be, because the tax no longer softens it.

Keep clean records of every penny: rent received, every cost, every interest payment. When the numbers are challenged, the landlord with the tidy file always wins.

And plan your tax before the year ends, not after. Since 6 April 2026, landlords with qualifying income over £50,000 report to HMRC every quarter under Making Tax Digital for Income Tax. Knowing your true position, quarter by quarter, is no longer a luxury. It is the way things are going.

***From my desk.** Every autumn I sit down with landlords and re-run the year. The ones who do it sleep well in January. The ones who do not get the bill and the shock together.*

Our note — Re-run your numbers every single year. Section 24 punishes the landlord who guesses and rewards the landlord who knows.

5. Should I put my properties in a company?



After Section 24, every landlord asks me this question. The honest answer is: it depends on you.

A limited company pays tax in a different way, and interest can still count as a business cost inside the company. For some landlords that makes the sums look better — sometimes much better.

But moving properties you already own into a company is not free. It can trigger stamp duty and capital gains tax on the way in, you will have to remortgage in the company's name — often at a higher rate — and running a company brings its own accounts, filings and costs, year after year.

There are other wrinkles too: taking money out of the company has its own tax, and lenders treat companies differently from people. It is not a trick and it is not a loophole. It is a trade, with costs on both sides.

Do not decide it from this booklet alone. Sit down with us, and we will do the maths for your own properties, honestly — including the cost of getting in, not just the saving once you are there.

From my desk. *A landlord once asked me to 'just put everything in a company' as if it were a form to sign. We did the maths together. The stamp duty and capital gains bill on the way in was bigger than three years of the saving. He kept his properties where they were — and thanked me for the honest answer.*

Our note — A company can change the Section 24 story, but moving properties into one has real costs. Get the full maths done before you move a single brick.

6. What I would do



If you were sitting across from me now, this is what I would say.

Know your numbers — every year, on paper. Rent in, costs out, interest, tax. If you cannot see it on one page, you do not know it.

Keep clean records of every penny of rent, cost and interest. The tidy file wins every argument, with HMRC and with your bank.

Plan your tax before the year ends, not in January. By January the year is over and your choices are gone.

And before you make any big move — selling, remortgaging, or putting properties into a company — talk to someone who has seen it done a hundred times. In 40 years I have seen every version of this story.

The landlords who sleep well are the ones who know their numbers and plan ahead. That is all this book is asking you to do.

***From my desk.** In 40 years I have seen every version of this story — the panic sale, the rushed company, the landlord who did nothing and hoped. The ones who came out best all did the same thing: they knew their numbers and they planned ahead.*

Our note — Plan before the year ends, not in January. By January your choices are gone.

What to do next



If this book has made you think, do not sit on it. Talk to us.

Call **020 3051 8236** or email **harish@abelaccounts.co.uk**.

We are Abel Accountants, 3 Hayley Court, Lodge Way, Ashford, Surrey TW15 3AH.

Bring your numbers with you. We will sit down together and work out exactly where you stand, in plain English, before you commit a single pound. One good question at the start is worth a fortune at the end.

Tax rules change. This guide is general information, not personal advice. Speak to us before you act.

Abel on Property

“Not all accountants are the same.”

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