

# THE COSTS INVOLVED WITH BUY TO LET PROPERTIES

Buying a house isn't cheap, it's probably one of the most expensive assets you will ever own. However, buy-to-lets have shown themselves to be great investments over the years, helping people earn a monthly income and benefit from capital growth.

There's a lot different with getting a buy-to-let than a residential property, but with the right advice and guidance, you'll have no problem! Here's a run through of all the costs involved with buying and managing your buy-to-let property.

## UPFRONT COSTS

- Deposit – this is typically 20–25% of the property value
- Mortgage fees – application and arrangement
- Legal fees – conveyancing
- Valuation fee (some lenders don't charge for these)
- Survey – if the property you're buying is old, you might want to pay for a structural survey to identify any costly repairs
- Stamp duty – this is 3% of the property value
- Finding a tenant – an agent can help you with this or you can do it yourself License – you must register with Rent Smart Wales which is a one-off fee of £33.50

## ONGOING COSTS

- Mortgage – monthly payments
- Certification – gas, electric, fire and deposit protection
- Maintenance and repairs Insurance – landlord and buildings insurance
- Council tax (depends on what band you sit in)
- Tax – 20% of your rental income
- Utility bills – you need to decide whether your tenant arranges these, or you pay for them and include the cost in your rent from the
- Ground rent and buildings maintenance if you're buying an apartment
- Letting Agent – management fee

Please be aware that this property will form part of your estate and may be subject to Inheritance Tax (unless borrower is a Limited Company or LLP). There could also be a potential liability for Capital Gains Tax when you come to sell the property. It is your responsibility to declare to Her Majesty's Revenue and Customs (HMRC) any income you receive from your Buy to Let property. Income is taxable as earned income and could put you into a higher tax band.

Business Buy to Let mortgages are not regulated by the Financial Conduct Authority.

Don't forget, even if you have a void period with no tenant living in your property you will still have to cover all ongoing costs.