Sheet C: Money from property

For the 2025/26 tax year (6 April 2025 to 5 April 2026). Checked October 2026.

Please note: this is general information, not tax advice.
Everyone's situation is different. If you're not sure what applies to you, check GOV.UK or talk to a qualified professional.

For anyone receiving rent: from a lodger in your home, a holiday let or Airbnb, or a house or flat you let to tenants. Not sure which sheets in this series apply to you? Start with Sheet A.

1. Which situation are you in?

Your situation	The main rule	Do you need to tell HMRC?
A furnished room in your own home, let to a lodger or short-stay guests	**Rent a Room scheme:** up to £7,500 a year is tax-free, or £3,750 each if you share the income *(see link 1 at the end of this document)*.	Not if you get £7,500 or less.
Small amounts, for example from a driveway, parking space, garage or storage	**Property allowance:** the first £1,000 a year is tax-free *(see link 2 at the end of this document)*.	Not if you get £1,000 or less.
A holiday let or Airbnb that isn't your home	Taxed like any other let since April 2025.	Yes, if you're over the limits below.
A house or flat let to tenants	Tax on your profit after **allowable costs**.	Yes, if you're over the limits below.

When you need to tell HMRC *(link 3)*:

- **Rent of £1,000 or less** in the tax year: tax-free, and nothing to report.
- **Rent of £1,000 to £2,500:** contact HMRC.
- **Profit over £2,500** (rent minus costs), **or rent of £10,000 or more** before costs: register for **Self Assessment** and do a **tax return** *(link 4)*. Sheet A explains how to register.

2. How your rental profit is taxed

You pay Income Tax on your **rental profit** (the rent you get, minus allowable costs), added to your other income. For 2025/26 that's 20%, 40% or 45%, depending on your total income. Most landlords don't pay National Insurance on rent.

Usually allowable	Not allowable
Letting agent and management fees	Paying off the mortgage itself (the capital)
Repairs and maintenance (like-for-like)	Improvements, for example an extension or upgrade
Landlord insurance, ground rent, service charges	Your own time or work
Bills and council tax you pay for the tenant	Your own personal use of the property
Replacing furniture and appliances in a furnished let	Buying furniture for the first time
Accountant fees, safety certificates	Fines

Mortgage interest works differently. You can't take it off the rent. Instead you get a **tax credit** worth 20% of the interest, taken off your tax bill.

Allowance or real costs, not both. If your costs are small, you can take the £1,000 property allowance instead. If you get over £7,500 under Rent a Room, you can either pay tax on the amount above £7,500, or work out your profit the normal way using your real costs. Choose whichever gives you the lower tax bill.

Own the property with someone else? Each owner usually reports their own share of the rent and costs.

3. Holiday lets, and changes on the way

Holiday lets lost their special tax treatment in April 2025. The "**furnished holiday let**" rules ended, so 2025/26 is the first full year taxed like any other let. In practice, mortgage interest now gets only the 20% credit, and new furniture no longer gets **capital allowances**.

Tax rates on rent are due to go up from April 2027. The November 2025 Budget set separate rates for property income of 22%, 42% and 47% in England, Wales and Northern Ireland. The mortgage interest credit is due to go up to 22%. This doesn't affect your 2025/26 tax return, but it's worth planning for.

Making Tax Digital includes rent. Your rent before costs is added to any self-employed income. Whether **Making Tax Digital** applies to you depends on that total in an earlier "**qualifying year**" *(link 5)*:

- over £50,000 in 2024/25 means you're in from April 2026
- over £30,000 in 2025/26 means you're in from April 2027
- over £20,000 in 2026/27 means you're in from April 2028

So the 2025/26 tax return you're doing now decides whether you're in from April 2027. Sheet E in this series has more.

4. Key dates

Send your 2025/26 tax return online and pay by **31 January 2027** *(link 6)*.

Date	What's due
5 Oct 2026	Last day to register if this is your first tax return. **Now passed.**
31 Oct 2026	Last day for paper tax returns.
31 Jan 2027	Online tax return, any tax you owe, and your first payment on account if one is due.
31 Jul 2027	Second payment on account, if one is due.

Missed 5 October? Register now. If you send your return and pay by 31 January, you'll usually avoid a fine.

Payments on account: if your tax bill is over £1,000, HMRC usually asks for advance payments towards next year's bill too, so consider making suitable provision now *(link 7)*. A late tax return costs an automatic £100 fine, even if you owe no tax.

5. Common questions

I let a room in my own home on Airbnb. Can I use Rent a Room? Usually yes, if the room is furnished and in the home you live in. A separate self-contained flat or annexe doesn't count.

I've let a property for years and never told HMRC. What now? HMRC runs the **Let Property Campaign** (search for that name on GOV.UK) for landlords to come forward. Telling HMRC before they contact you usually means much smaller fines. Get advice from a tax adviser or accountant first.

I'm selling a property I've let out. Anything special? If there's **Capital Gains Tax** to pay, you must usually report the sale and pay within 60 days of completion *(link 8)*.

My rent goes through a letting agent. Do I still need to do anything? Yes. The agent collects the rent, but doesn't do your tax return. That's still your job.

Do I need a bookkeeper or accountant? One simple let can often be handled yourself. Sheet F in this series covers when additional or professional help is worth paying for.

6. Getting help and staying safe

- **Can't afford to pay for help?** TaxAid is a charity that gives free, private tax help to people on low incomes *(link 9)*.
- **Beware of scams.** HMRC never texts or emails you about a refund or asks for your bank details. Never share your HMRC login with anyone.

Words explained

HMRC: HM Revenue and Customs, the government department that collects tax.

Tax return: The form you send HMRC each year, usually online, showing what you earned.

Rent a Room scheme: Lets you earn up to £7,500 a year tax-free from letting furnished rooms in the home you live in.

Allowable costs: Costs you can take off your rent to work out your profit, such as repairs and agent fees.

Tax credit: An amount taken straight off your tax bill. Landlords get one for mortgage interest.

Furnished holiday let: A special category of holiday let with extra tax breaks. It ended in April 2025.

Qualifying year: The earlier tax year whose income decides whether Making Tax Digital applies to you.

Capital Gains Tax: Tax on the profit when you sell something that has gone up in value, such as a let property.

Self Assessment: HMRC's system for people to report income that isn't already taxed, such as rent.

Tax year: Runs from 6 April to 5 April the next year. The 2025/26 tax year ended on 5 April 2026.

Property allowance: The first £1,000 a year of property income, which is tax-free.

Rental profit: The rent you get, minus your allowable costs. This is what you pay tax on.

Capital allowances: Tax relief on buying equipment or furniture for a business.

Making Tax Digital: HMRC's new system of keeping digital records and sending updates every 3 months.

Payments on account: Advance payments towards next year's tax bill, due on 31 January and 31 July.

Let Property Campaign: HMRC's way for landlords to tell it about rent they haven't declared before, usually with smaller fines.

Useful links

1. Rent a Room scheme (HMRC helpsheet HS223): https://www.gov.uk/government/publications/rent-a-room-for-traders-hs223-self-assessment-helpsheet
2. Tax-free allowances: https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income
3. Renting out a property: paying tax: https://www.gov.uk/renting-out-a-property/paying-tax
4. Register for Self Assessment: https://www.gov.uk/register-for-self-assessment
5. When does Making Tax Digital start for me? (LITRG): https://www.litrg.org.uk/tax-nic/making-tax-digital-income-tax/when-does-making-tax-digital-start-me
6. Self Assessment deadlines: https://www.gov.uk/self-assessment-tax-returns/deadlines
7. Payments on account: https://www.gov.uk/understand-self-assessment-bill/payments-on-account
8. Selling a property: 60-day reporting (LITRG): https://www.litrg.org.uk/savings-property/capital-gains-tax/capital-gains-tax-reporting/60-day-reporting-rules-uk-property-disposals
9. TaxAid: https://taxaid.org.uk/about-us

Prepared by **Martin Schmalenbach, MRS Bookkeeping**, Dolton, Devon · **T:** 07427 931179 · **E:** martin@mrsbookkeeping.co.uk