YEATS

WHITE PAPER · JULY 2026

The Managed Decline of Buy-to-Let

How a decade of policy dismantled residential property investment for the individual — and what the same rulebook says about commercial property.

10
INTERVENTIONS SINCE 2016

£15,000 vs £2,000
STAMP DUTY ON £250K: FLAT VS UNIT

47%
TOP PROPERTY INCOME RATE, APRIL 2027

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sippproperty.co.uk
Every claim cited to a primary source

EXECUTIVE SUMMARY

No government ever announced the end of buy-to-let

There was no abolition bill, no headline moment. Instead, between April 2016 and today, successive governments of both parties layered at least ten separate measures on the private landlord — each defensible in isolation, cumulatively transformative.

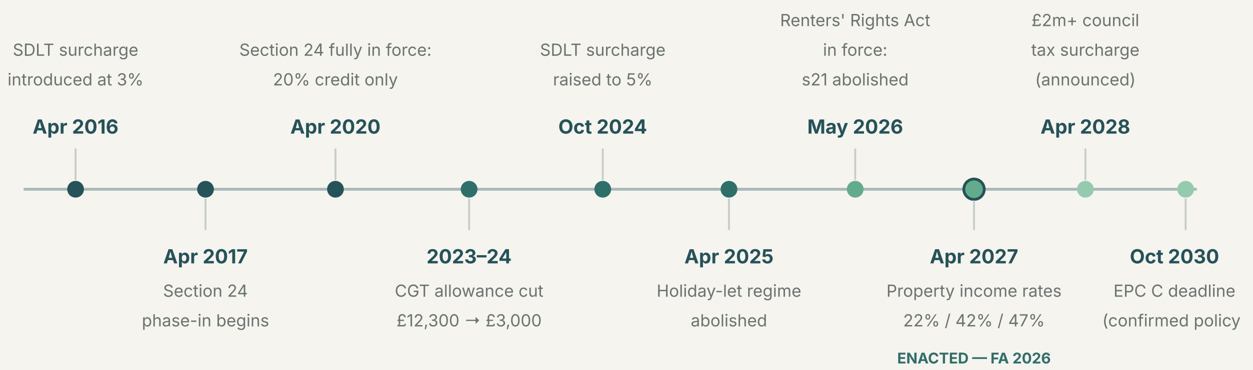
The result is a tax and regulatory regime in which an individual buying a £250,000 rental flat pays **£15,000 in stamp duty**, is taxed on rental income **before deducting most of the mortgage interest** — and, from April 2027, at new higher rates created specifically for property income (**22%, 42% and 47%**, already enacted in Finance Act 2026) — faces capital gains tax on exit with a tax-free allowance cut to **£3,000**, must comply with a new tenancy regime in force since **May 2026** in which no-fault possession no longer exists, and is required to bring the property to an EPC C-equivalent standard by **October 2030** with a cost cap of £10,000 per property.

The same buyer purchasing a £250,000 commercial unit pays **£2,000** in stamp duty. No surcharge. None of the residential tenancy regime applies.

This paper documents each measure from primary sources — HMRC guidance, legislation.gov.uk, gov.uk policy papers and House of Commons Library briefings — with dates and current legal status as of July 2026. It then sets out the contrasting treatment of commercial property, including the rules that apply when it is held in a Self-Invested Personal Pension (SIPP): a structure in which rent accrues free of income tax and disposals are free of capital gains tax.

It does not argue that any individual should buy anything. It argues something narrower and, we think, harder to dispute: **the rulebook that once favoured the amateur residential landlord now points the other way, and most of the people it affects have not yet read it.**

TEN INTERVENTIONS IN A DECADE — THE TIMELINE

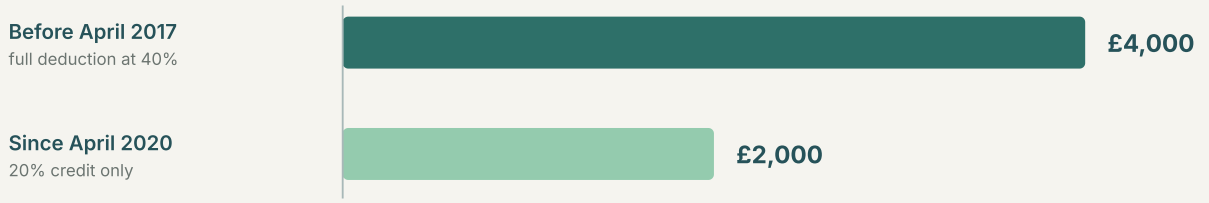


1. Section 24: taxed on income you never received

The single most consequential change is also the least understood. Before April 2017, a landlord's mortgage interest was a business cost, deducted before tax like any other. Section 24 of the Finance (No. 2) Act 2015 removed that deduction — phased over four years (75% deductible in 2017-18, 50% in 2018-19, 25% in 2019-20, nil from April 2020) — and replaced it with a tax **credit** fixed at the basic rate of 20%, applied to the lower of the finance costs, the property profits, or adjusted total income.[1]

The consequence: rental income is now taxed **gross of mortgage interest**. But the deeper effect is on the tax band itself. Because the interest is added back before the band is calculated, the change can push a landlord into higher-rate tax **with no change in their real income**. This is not a campaigner's claim — it is HMRC's own published worked example, in which the illustrative landlord "becomes a higher rate taxpayer because of the change".[1] Nothing about Section 24 has been softened since; its scope was widened in April 2025 when furnished holiday lets were brought inside it (§4).

£10,000 OF MORTGAGE INTEREST · TAX RELIEF FOR A HIGHER-RATE TAXPAYER

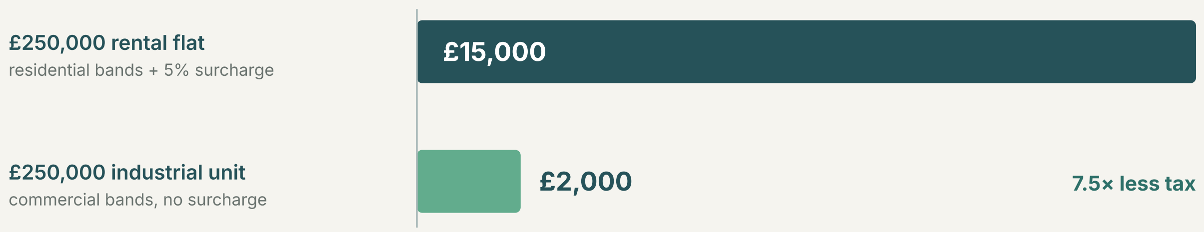


Relief halved — and because interest is added back before the band is set, the change alone can push a landlord into higher-rate tax. Source: HMRC guidance with worked examples.[1]

2. The buying penalty: a surcharge that only points one way

Since 1 April 2016, anyone buying a residential property in England or Northern Ireland who will own more than one has paid a surcharge on top of the standard SDLT bands — introduced at 3%, raised to **5% for completions from 31 October 2024**.[2] It remains 5% today. Combined with the standard residential bands in force since 1 April 2025,[3] a £250,000 investment purchase attracts £2,500 of standard SDLT plus £12,500 of surcharge: **£15,000, payable up front, unrecoverable**. Commercial property is charged under entirely separate bands — 0% to £150,000, 2% to £250,000, 5% above — and **the surcharge does not exist for it**.[4] *(Scotland and Wales set their own regimes; Scotland's equivalent surcharge is 8%.)*

STAMP DUTY ON THE SAME £250,000 · FLAT VS SMALL INDUSTRIAL UNIT



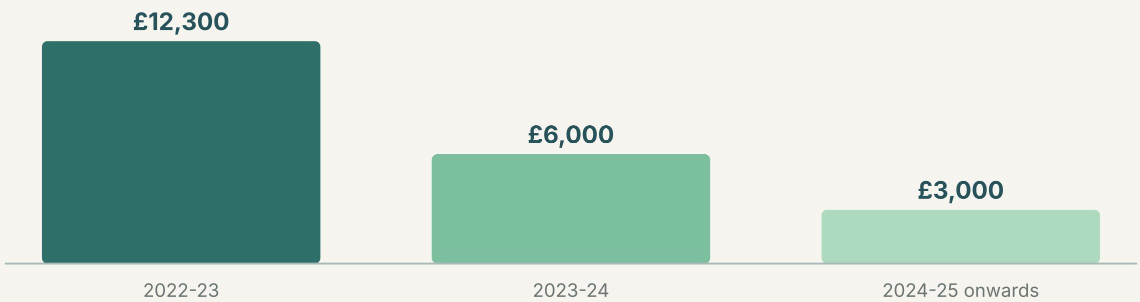
Our calculation from published HMRC bands — full working in the appendix.[3,4]

3. The selling penalty: an allowance cut by 76%

The capital gains tax annual exempt amount — the slice of gain any individual can realise tax-free — was **£12,300 as recently as 2022-23**. It was cut to £6,000 in April 2023 and to **£3,000 from April 2024**, where it remains for 2026-27.[5]

On rates, residential property's one remaining distinction was removed in October 2024 — in the least generous way possible. Residential gains had long been taxed at 18%/24% while other assets enjoyed 10%/20%. At the Autumn Budget 2024 the main rates were **raised** to 18%/24% to match residential.[6] Residential property investors gained nothing; every other investor was brought down to their position. Residential disposals also remain subject to a 60-day reporting and payment window that does not apply to most other assets.[6]

CGT ANNUAL EXEMPT AMOUNT · CUT 76% IN TWO YEARS



The allowance remains £3,000 for 2026-27. Gains above it on a rental sale are taxed at 18%/24%, reportable and payable within 60 days.[5,6]

4. The escape route closed: furnished holiday lets

As buy-to-let economics tightened, many landlords pivoted to holiday letting, whose separate tax regime preserved full mortgage interest deduction and business-style CGT reliefs. That regime was **abolished from April 2025**.[7] Former holiday lets now sit inside Section 24 like any other rental, and the capital gains reliefs — business asset disposal relief, roll-over relief, gift relief — are withdrawn. The message of the abolition is difficult to misread: there is no side door.

THE HOLIDAY-LET REGIME · BEFORE AND AFTER 6 APRIL 2025

To 5 April 2025	From 6 April 2025
✓ Full mortgage interest deduction	✕ Section 24 applies — 20% credit only
✓ Business asset disposal relief	✕ Withdrawn
✓ Roll-over & gift relief	✕ Withdrawn

Abolished for income tax and CGT from 6 April 2025; enacted Finance Act 2025.[7]

5. The operating regime: the Renters' Rights Act 2025

The Renters' Rights Act 2025 received royal assent on 27 October 2025, and its new tenancy system came into force **in one stage on 1 May 2026**.[8] This paper takes no position on the housing-policy merits of the reforms. The point for an investor is different: **the asset has changed**. A residential tenancy is no longer a contract whose end date the owner controls, and the income stream it produces is now subject to statutory timing and process constraints that have no equivalent in commercial leasing, where terms remain a matter of negotiation between businesses.

IN FORCE IN ENGLAND SINCE 1 MAY 2026

Section 21 abolished

No-fault possession no longer exists. Last valid notices were served 30 April 2026.

All tenancies periodic

Fixed terms no longer exist. Tenants may leave on two months' notice.

Rent rises once a year

By prescribed notice to market level; tenant may refer to tribunal, which cannot backdate.

No advance rent, no bidding

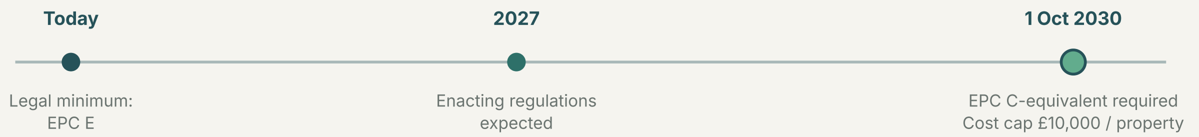
Rent in advance beyond the first period banned; bids above the advertised rent prohibited.

Royal assent 27 October 2025; tenancy system commenced in one stage on 1 May 2026 (SI 2026/421). Later phases — PRS database, ombudsman — not yet in force.[8]

6. The capital expenditure mandate: EPC C by 2030

In January 2026 the government confirmed that **all privately rented homes in scope must meet an EPC C-equivalent standard by 1 October 2030**, under reformed dual-metric EPCs, with a landlord cost cap of **£10,000 per property** (with an affordability adjustment for lower-value homes; the government's own impact assessment estimates average spend of £5,400 per property).[9] The enacting regulations are expected in 2027 — this is confirmed policy rather than law in force, and the current legal minimum remains EPC E. But the direction is set, the date is published, and it applies to the existing stock. The residential deadline lands on individual landlords who must fund works personally, out of income already taxed under Section 24.

THE ROAD TO 1 OCTOBER 2030



Confirmed policy (government consultation response, 21 January 2026), not yet law in force. Average estimated spend £5,400 per property.[9]

7. Autumn Budget 2025: property income gets its own, higher tax rates

For years the rumoured endgame was National Insurance on rents. That is not what happened — the Budget's own tax documentation contains no NI-on-property measure, and the accompanying technical note states in terms that NIC treatment of property income "will not change as a result of this policy".[10] What happened instead is arguably cleaner. From **6 April 2027**, property income acquires its own named rates of income tax: a **property basic rate of 22%, property higher rate of 42% and property additional rate of 47%** — two percentage points above the main rates that apply to earnings. (The same measure adjusts rates on savings and dividend income; earned income is untouched.) This is not a proposal: announced on 26 November 2025, it was enacted in the Finance Act 2026, which received royal assent on 18 March 2026. It applies in England, Wales and Northern Ireland.[10]

Layered on Section 24, the design compounds: the mortgage interest already cannot be deducted, and from April 2027 the gross rental income it fails to shelter is taxed at rates set above those on a salary.

The same Budget announced a **High Value Council Tax Surcharge** on residential property in England worth £2 million and above, from April 2028 — flat annual charges from £2,500 to £7,500 by band. Unlike the property rates, this is announced policy still in consultation, and it touches only the top of the market.[11] But it completes a pattern: residential property investment is now taxed on entry, in operation, on exit — and, at the top end, soon for simply being owned.

INCOME TAX ON RENT · FROM 6 APRIL 2027 (ENACTED, FINANCE ACT 2026)

Basic rate	Higher rate	Additional rate
20% → **22%**	40% → **42%**	45% → **47%**
property basic rate	property higher rate	property additional rate

Two points above the rates on a salary — and no new National Insurance on rent was needed to achieve it.[10]

8. The evidence of exit

The clearest evidence is not a fire sale. It is a change of form, and a shrunken market. Each statistic below was verified directly against the publisher's current release.

The individual landlord is incorporating away. A record **66,587 new buy-to-let limited companies** were set up in 2025 — up 8% on 2024 and 363% over the decade — and around **three in four new buy-to-let purchases** are now made through a company. Hamptons, who compiled the Companies House data, date the trend to 2016, when "full mortgage interest relief began to be phased out". By the end of 2025 there were 443,272 such companies, nearly five times the 2016 count.[16] Buying a rental property in your own name has become the minority choice; what survives is the corporate wrapper, with its own costs, mortgage pricing and administration. When an asset class can no longer sensibly be held by an individual, the thesis of this paper is not really in dispute.

The rental market has shrunk. Zoopla's June 2026 Rental Market Report finds **25% fewer rental homes on the market than before the pandemic**, with supply 20–30% below pre-pandemic levels in every region — the shortage it identifies as the force still pushing rents upward.[17]

Gross yield is not the problem. UK Finance puts the average gross buy-to-let rental yield at **7.18% in Q4 2025**, up from 6.99% a year earlier; the same release records buy-to-let possessions up 10% year-on-year.[18] A 7% gross yield is respectable — which is precisely the point. Every measure in Part I operates *after* the gross yield: on the interest that cannot be deducted, at the property rates from April 2027, on the gain at sale. The problem is not what the asset produces; it is what the owner keeps.

In fairness: the same UK Finance release shows new buy-to-let lending up 18.2% year-on-year in Q4 2025, as interest rates eased. The exit documented here is from personal ownership and the small-landlord model — which is exactly what the incorporation data measures — not from the sector wholesale.

THE EXIT, MEASURED · EACH FIGURE FROM THE PUBLISHER'S CURRENT RELEASE

66,587	−25%	7.18%
record new buy-to-let companies set up in 2025 — +363% in a decade	rental homes on the market vs pre-pandemic — down in every region	average gross BTL yield, Q4 2025 — taxed at up to 47% from April 2027
Hamptons · Companies House · Feb 2026	Zoopla Rental Market Report · June 2026	UK Finance · April 2026

Around 3 in 4 new buy-to-let purchases are now made through a limited company — personal ownership is the minority choice.[16]

PART II

The same rulebook, read the other way

Every measure in Part I is residential-specific. None of it applies to a light-industrial unit, a warehouse, an office or a shop:

- **No SDLT surcharge** — commercial bands top out at 5%, with £2,000 payable on a £250,000 unit.[4]
- **No Section 24** — it applies to *dwelling-related* loans.
- **No Renters' Rights Act** — commercial leases are business-to-business contracts; terms, term length and repair obligations (commonly full repairing and insuring, placing the burden on the tenant) are negotiated, not prescribed.
- **No residential EPC mandate** — commercial property has a separate, distinct regime.

The contrast sharpens further when commercial property is held inside a pension.

Commercial property in a SIPP

A Self-Invested Personal Pension is a registered pension scheme, and registered pension schemes have their own tax code — written in the Finance Act 2004 and unchanged in its essentials since 2006. Three provisions matter here, each verified against the Pensions Tax Manual and the legislation currently in force:

Rent accrues free of income tax inside the scheme. "No liability to income tax arises in respect of... income derived from investments or deposits held for the purposes of a registered pension scheme" — Finance Act 2004, s.186, restated in HMRC's manual at PTM121000.[12] Rent from a commercial property owned by a SIPP is investment income of the scheme. The owner's marginal rate — 20%, 40%, 45%, or from April 2027 the property rates of 22%, 42% and 47% — simply never applies, because the new property rates are charged on individuals, not on registered pension schemes. (The exemption covers investment income only: a scheme that trades or develops property is taxable.)

No capital gains tax inside the scheme. Gains on the disposal of scheme investments are exempt under s.271 of the Taxation of Chargeable Gains Act 1992.[12] The £3,000 allowance, the 24% rate and the 60-day return described in Part I belong to a different regime entirely.

The scheme can borrow. A registered pension scheme may borrow, in aggregate, up to 50% of the net value of the fund measured immediately before the borrowing (Finance Act 2004 ss.182–184; PTM124000) — a rule unchanged since 2006.[13] A £200,000 fund can therefore support roughly £300,000 of total spending on a purchase. Exceeding the limit triggers scheme tax charges, so the boundary is policed by SIPP providers in practice.

THE SAME £250,000 UNIT · OWNED PERSONALLY VS OWNED BY A SIPP

	HELD PERSONALLY	HELD IN A SIPP
Income tax on rent	up to 47%*	0%
CGT on sale	up to 24%	0%
Stamp duty	£2,000	£2,000
Purchase funding	personal capital / mortgage	pension fund + borrowing up to **50% of the fund**

*From 6 April 2027 (property additional rate). SDLT on a commercial unit is identical whoever buys it — the difference is everything afterwards. Sources 4, 10, 12–13.

Why a warehouse and not a flat

The same Act answers the question most people ask first. For investment-regulated schemes — which include most SIPPs — "taxable property" means residential property and tangible moveable property (Schedule 29A; PTM125100). Commercial property sits outside the definition. A SIPP that acquires a dwelling is not breaking any prohibition; it is walking into deliberate tax punishment — the acquisition is treated as an unauthorised payment to the member (s.174A), attracting member charges plus a scheme sanction charge on both the income and the gains, at combined effective rates commonly put above 55%.[14] Parliament did not ban residential property from pensions; it made it economically irrational. The two-track treatment this paper describes is, inside the pension code, not drift but design.

THE PENSION CODE'S OWN VERDICT · WHAT A SIPP MAY HOLD

Warehouse · office · shop · industrial unit

Outside "taxable property". Rent tax-free in the scheme, gains CGT-free, borrowing permitted.

FA 2004 s.186 · TCGA 1992 s.271 · PTM121000

Flat · house · any dwelling

"Taxable property": deemed unauthorised payment plus scheme sanction charge — effective rates 55%+.

FA 2004 s.174A, Sch 29A · PTM125100

Not a prohibition — a deliberate economic deterrent. Inside the pension code the two-track treatment of residential and commercial property is explicit.[14]

The measure that points the other way

An honest comparison must include the one recent change against pensions. The Finance Act 2026 (royal assent 18 March 2026) brings most unused pension funds and pension death benefits within the estate for inheritance tax, for deaths on or after **6 April 2027**. There are carve-outs — dependants' scheme pensions and death-in-service benefits are excluded, charity lump sums are exempt, and transfers to a surviving spouse or civil partner remain exempt as before — and liability sits with the estate's personal representatives.[15] The effect is real: from April 2027 a pension is a retirement vehicle, not an inheritance vehicle. What the change does not touch is everything this section describes — the tax-free rent and tax-free gains on scheme-held commercial property during the member's lifetime are unaffected, and the new property income rates do not reach inside a pension. But a paper that hid this measure would not deserve to be believed, so it is stated here in full.

Conclusion: read the rulebook

The private landlord was never legislated against by name — until, in the Finance Act 2026, property income finally was. The cumulative position is stark. Residential property investment by individuals is now taxed on the way in (5% surcharge), during (Section 24, and from April 2027 the 22%/42%/47% property rates), on the way out (£3,000 allowance, 24% rate, 60-day reporting), regulated in operation (Renters' Rights Act), and subject to a dated capital-works mandate (EPC C by 2030).

Commercial property — the asset class most private investors have never considered because it felt institutional — sits outside every one of those measures, and inside a pension it enjoys treatment residential investors last saw a generation ago.

We are not the neutral party here: this paper is published by Yeats, a commercial property business, at sippproperty.co.uk. Every claim is therefore cited to a primary source, so it can be checked rather than trusted. The facts are the argument.

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Appendix — SDLT at £250,000 (England & NI, July 2026)

BAND-BY-BAND WORKING

Residential, additional dwelling	
£0 – £125,000 at 0% + 5% surcharge	£6,250
£125,001 – £250,000 at 2% + 5% surcharge	£8,750
Total	**£15,000**

Non-residential	
£0 – £150,000 at 0%	£0
£150,001 – £250,000 at 2%	£2,000
Total	**£2,000**

Standard residential bands from 1 April 2025 (0% to £125,000; 2% to £250,000) plus the 5% additional-dwellings surcharge on every band.[3 2]
Non-residential bands: 0% to £150,000; 2% to £250,000; 5% above.[4]

ABOUT THIS PAPER

Who wrote it, and why it is sourced the way it is

Yeats (Yeats Works Limited) is a commercial property business. We develop, own and manage commercial space in the South East of England, and we help buyers acquire commercial units — including through Self-Invested Personal Pensions. That is our trade, and it is the reason this paper exists: we spend our days inside the two-track system it describes, and we thought the contrast deserved to be set out plainly.

It also means we are an interested party, not a neutral observer. A commercial property firm arguing that commercial property looks attractive is exactly the sort of claim a reader should distrust. So every factual statement in these pages is tied to a primary source — HMRC, legislation.gov.uk, gov.uk policy papers, House of Commons Library briefings, and named market data — precisely so you can check it rather than take our word. The facts are doing the arguing.

— John O'Neill, Managing Director, Yeats

THE PAPER IN PRACTICE

Engine Works Park, Margate

A live example of the units this paper describes: 59 new-build commercial spaces, 70 minutes from London via Thanet Parkway, SIPP-eligible with the VAT position documented. If you want to see what the commercial side of the argument looks like in the real world — including current availability — it is the clearest place to start.

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