



Renting out your property (Scotland)

NOTES

1. Landlord responsibilities

You must [register as a landlord with the local council](#) to rent out your property in Scotland.

! It's a criminal offence to rent out your property without being registered.

As a landlord, you have responsibilities, including:

- keeping your rented properties safe and free from health hazards
- making sure all [gas](#) and [electrical equipment](#) you supply is safely installed and maintained
- following [fire safety regulations \(PDF, 1,009 KB\)](#)
- providing an [Energy Performance Certificate](#) for the property
- [protecting your tenant's deposit](#) in a government-approved scheme

Financial responsibilities

You'll have to pay Income Tax on your rental income, minus your day-to-day running expenses.

You must get permission from your mortgage lender if you have a mortgage on the property you want to rent out.

2. Making repairs

You must keep your property in good condition. The 'repairing standard' in Scotland means you must make sure:

- the structure and exterior of the house are in reasonable repair
- water, gas, electricity, sanitation, heating and hot water equipment are all working and in reasonable condition
- any fixtures, fittings, appliances and furnishings you provide are all working and in reasonable condition

When you can enter the property

You have a legal right to enter your property to inspect it or carry out repairs. You must give your tenants at least 24 hours' notice, although immediate access may be possible in emergencies. Your tenants have the right to stay in the property during the repairs.

You don't have to rebuild or renovate your property if it is seriously damaged by a fire, flood or other similar incident. However, if you do, you can't charge your tenants for any repairs made.

Common areas

You'll usually be responsible for repairing common areas, like staircases, if you own a block of flats. Councils can ask landlords to fix problems in common areas, or to repair a tenant's flat that has been damaged by another tenant.

What happens if repairs aren't done properly

Tenants can apply to the [Private Rented Housing Panel \(PRHP\)](#) if you refuse to carry out repairs, or if you don't do them properly.

If the property is temporarily unfit to live in

You can ask tenants to move out during major repairs. Before this happens, you should agree in writing:

- how long the works will last
- the tenants' right to return
- details of any alternative accommodation

You can't repossess a property to do repairs. However, you can apply to the courts for an order for your tenants to leave if you're planning substantial works or want to redevelop the property. The courts are more likely to grant this if you provide alternative accommodation.

Repairs and charging rent

Your tenants may be able to claim a reduction on their rent known as a 'rent abatement' if the repairs are very disruptive. This will depend on how much of the property is unusable.

You may have the right to [increase the rent](#) after carrying out repairs and improvements, depending on the tenancy agreement.

3. Rent increases

The tenancy agreement should include how and when you will review the rent.

Assured and short assured tenancies

For an assured or short assured tenancy, you can't increase the rent during the fixed term unless there's a clause in the tenancy agreement saying you can.

After the fixed term ends, for an assured tenancy you can increase the rent by:

- giving your tenant an [AT2 notice \(PDF, 100KB\)](#) - you can only do this once a year
- giving your tenant an [AT1\(L\) notice \(PDF, 88KB\)](#) - after giving them a valid notice to quit

! You must give your tenants at least 1 rental period's notice before increasing the rent. For example, if they pay monthly you must give at least 1 month's notice.

Regulated tenancies

For a regulated tenancy, if you want to increase the rent you must apply to Rent Service Scotland for a new fair rent registration. This must normally be at least 3 years since the last increase, unless either:

- you apply jointly with your tenant
- there has been a significant change to the property - like major repairs or improvements

[Download 'Form RR1: application for a registration of rent' \(PDF, 13KB\)](#)

Your tenant can appeal to the [Private Rented Housing Panel](#) if they think that a rent increase is unreasonable.

4. Settling disputes

The [Private Rented Housing Panel \(PRHP\)](#) is responsible for settling disputes about rent and repairs. The [courts](#) are responsible for evictions, damages and other issues.

! It's usually quicker and easier if you can resolve issues with your tenants informally.

- Speak to your tenants about your concerns.
- Write a formal letter explaining the problem if talking to your tenants doesn't work.
- Contact the PRHP or start legal action through the courts.

The Private Rented Housing Panel (PRHP)

Apply to the [PRHP](#) if your dispute is about rent or repairs.

After you apply to the PRHP, both you and your tenant will be asked if:

- you want the case to be heard formally
- you want to submit written statements

In both cases, you'll both be able to comment on what the other person says.

The PRHP may also send someone to look at your property, especially if the dispute is about repairs.

The PRHP may suggest mediation if it thinks that the disagreement between you and your tenant over repairs can be resolved with some help. This is a free service and can be quicker than a formal hearing.

For mediation to happen, both you and your tenant must agree to it.

Going to court

You'll normally apply to a [sheriff court](#) if you decide to take legal action.

To claim:

- £3000 or less - you'll need to make a [small claims action](#)
- £3001 - £5000 - you'll need to raise a [summary cause action](#)
- £5001 and over - you'll need to raise an [ordinary cause action](#)

Free advice for disputes

You can get free advice about disputes or housing problems from [Citizens Advice](#) or [Shelter Scotland](#).

A solicitor can also help you, but they might charge a fee.

You can get advice on the day of a hearing from the housing duty desk at the court.

5. Houses in Multiple Occupation (HMO)

Your property is a 'House in Multiple Occupation' (HMO) if both of the following apply:

- at least 3 tenants live there, forming more than 1 household
- toilet, bathroom or kitchen facilities are shared

! A household consists of either a single person or members of the same family who live together. It includes people who are married or living together and people in same-sex relationships.

Licences

All HMOs in Scotland must be licensed. You apply for an HMO licence to your local council.

6. Paying tax

When you start renting out property, you must tell HM Revenue & Customs (HMRC) and you may have to pay tax. If you don't, you could be charged a penalty.

! You can save money on tax you owe by [reporting rental income to HMRC](#). You must be an individual landlord renting out residential property.

Property you personally own

You must report income from property rental on a [Self Assessment tax return](#) if it's:

- £2,500 to £9,999 after allowable expenses
- £10,000 or more before allowable expenses

If it's less than £2,500 a year, call the Self Assessment Helpline.

HMRC Self Assessment Helpline

Telephone: 0300 200 3310

[Find out about call charges](#)

Property owned by a company

Count the rental income the same way as any other business income.

Costs you can claim to reduce tax

There are different tax rules for:

- residential properties
- furnished holiday lettings
- commercial properties

Residential properties

You or your company must pay tax on the profit you make from renting out the property, after deductions for 'allowable expenses'.

Allowable expenses are things you need to spend money on in the day-to-day running of the property, like:

- letting agents' fees
- legal fees for lets of a year or less, or for renewing a lease for less than 50 years

- accountants' fees
- buildings and contents insurance
- interest on property loans
- maintenance and repairs to the property (but not improvements)
- utility bills, like gas, water and electricity
- rent, ground rent, service charges
- Council Tax
- services you pay for, like cleaning or gardening
- other direct costs of letting the property, like phone calls, stationery and advertising

! Allowable expenses don't include 'capital expenditure' - like buying a property or renovating it beyond repairs to wear and tear.

Furnished residential lettings

You can claim 10% of the net rent as a 'wear and tear allowance' for furniture and equipment you provide with a furnished residential letting. Net rent is the rent received, less any costs you pay that a tenant would usually pay (eg Council Tax).

Furnished holiday lettings

For furnished holiday homes, you may be able to claim:

- plant and machinery [capital allowances](#) on furniture, furnishings, etc in the let property, as well as on equipment used outside the property (like vans and tools)
- [Capital Gains Tax](#) reliefs - Business Asset Rollover Relief, Entrepreneurs' Relief, relief for gifts of business assets and relief for loans to traders

You can only claim these if all the following apply:

- the property is offered to let for at least 210 days a year
- it's let for more than 105 days a year
- no single let is more than 31 days
- you charge the going rate for similar properties in the area ('market value')

Your profits count as earnings for pension purposes if you own the property personally.

Get help with filling out the [capital allowances](#) and [UK property](#) pages of your Self Assessment tax return.

Commercial properties

You can claim plant and machinery [capital allowances](#) on some items if you rent out a commercial property - like a shop, garage or lock-up.

Working out your profit

You work out the net profit or loss for all your property lettings (except furnished holiday lettings) as if it's a single business. To do this, you:

- add together all your rental income
- add together all your allowable expenses
- take the expenses away from the income

Work out the profit or loss from furnished holiday lettings separately from any other rental business to make sure you only claim these tax advantages for eligible properties.

Losses

If you make a loss on renting, you can carry it forward to a later year and offset it against future profits. You can only offset losses against future profits in the same business.

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