



## What should I do if I want to claim tax relief for my Guernsey mortgage interest?

Once you have purchased your property, please download the Checklist on Buying a Property (**form 357**) (available from our website at [www.gov.gg/tax](http://www.gov.gg/tax) under “Other tax forms”) and complete and return the form to this office. A coding notice, if appropriate, will be issued to reflect the change in your circumstances.

Please remember to quote your tax number on all correspondence, or have it ready if telephoning or calling in to this office.

## My mortgage in respect of my Guernsey home (Principal Private Residence) is over £400,000 - how is the relief calculated?

The formula to be used is:

$$\frac{\text{Interest paid} \times 400,000}{\text{Average of outstanding balances on mortgage at beginning and end of the year}}$$

An example:

Interest paid during calendar year 2010 = £26,000

Outstanding balance on 01/01/10                      £ 512,000

Outstanding balance on 31/12/10                      £ 491,000

£1,003,000 ÷ 2 = £501,500 = average

So the calculation would be done as follows:

$$\frac{\text{£26,000} \times 400,000}{\text{£501,500}} = \text{£20,738 interest (restricted to interest cap of £15,000)}$$

**Please note:** If a property is owned jointly by a married couple or by two single people, the overall restriction to £400,000 will still apply.

## How will the “interest cap” apply in respect of my mortgage on my Guernsey home?

If the amount of interest paid on your mortgage in respect of your Guernsey home (your principal private residence) exceeds the “interest cap the amount of interest allowed as a deduction will be restricted to the level of the cap.

If a property is owned jointly by a married couple, and each spouse is a party to the mortgage, the “interest cap” will be doubled (i.e. £30,000 for the calendar year 2015) irrespective of whether each spouse is an equal borrower. If only one party to the marriage is a borrower, relief will be restricted to the “interest cap” of £15,000.

For example, where a married couple have obtained the mortgage:

Spouse 1 pays	£40,000
Spouse 2 pays	<u>£10,000</u>
Total mortgage interest paid in 2014	£50,000

A deduction of £30,000 will be given as both parties to the marriage are borrowers, i.e. relief will not be restricted to £25,000 (£15,000 for Spouse 1 and £10,000 for the Spouse 2).

If Spouse 1 was the only borrower and pays the total mortgage interest of £50,000, the deduction will be restricted to £15,000 as Spouse 2 is not a borrower.

**Please note:** if your mortgage exceeds £400,000, it is necessary to first calculate the interest paid on the mortgage up to the value of £400,000 (using the formula shown above) before ascertaining whether the “interest cap” applies.

### Will the ‘interest cap’ restrictions reduce in the future?

Yes, proposals to reduce the ‘interest cap’ on the amount of tax relief on interest paid in respect of a principle private residence was agreed at the States Meeting on 29 October 2015 and will be effective from 1 January 2016.

The effect of this change will be as follows:-

Year of Charge	Amount for an individual borrower	Amount for a married couple
2016	£13,000	£26,000
2017	£11,000	£22,000
2018	£9,500	£19,000
2019	£8,000	£16,000
2020	£6,500	£13,000
2021	£5,000	£10,000
2022	£3,500	£7,000
2023	£2,000	£4,000
2024	£1,000	£2,000
2025	Complete withdrawal	Complete withdrawal