

# 2006 Pre-Budget Report



HM Revenue  
& Customs

PBRN 12

6 December 2006

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## EXTENSION TO LANDLORD'S ENERGY SAVING ALLOWANCE

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### Who is likely to be affected?

1. Individual landlords who let residential properties and pay income tax, and corporate landlords who let residential properties and pay corporation tax.

### General description of the measure

2. A number of changes will be made to the Landlord's Energy Saving Allowance (LESA):
  - Its availability will be extended to 2015;
  - Qualifying expenditure will be extended to include installation of floor insulation;
  - The present cap of £1,500 will be applied to each property rather than to each building; and
  - The allowance will be made available to corporate landlords who let residential properties.
3. This will be subject to the results of a consultation on the proposal to extend the LESA to corporate landlords and on resolving potential EU State Aid implications. If Commission approval is required, there is a possibility that these proposals may need to be amended or withdrawn.

### Operative date

4. These changes will have effect on and after 6 April 2007 subject to possible State Aid clearance.

### Current law and proposed revisions

5. Under section 312 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA), landlords who pay income tax may claim the LESA on the expenditure they incur in installing loft or cavity wall insulation in a dwelling house which they let when computing their taxable profits.
6. At present, LESA only applies to expenditure incurred before 6 April 2009. Legislation in Finance Bill 2007 will extend the lifetime of the allowance to make it available until 2015.

7. The maximum amount of expenditure for which LESA can be claimed is currently capped at £1,500 per building. It is proposed that on and after 6 April 2007, this cap will be applied to each property rather than each building.
8. The scope of LESA has been extended on two previous occasions. Statutory Instrument 2005/1114 allowed landlords to claim the allowance for expenditure on solid wall insulation, and Statutory Instrument 2006/912 enabled landlords to claim it for expenditure to draught proof, and to install insulation for hot water systems.
9. A further Statutory instrument will be made under section 312(5)(c) ITTOIA to enable landlords to claim the allowance on expenditure incurred in installing floor insulation.
10. It is intended that Finance Bill 2007 will also include legislation to extend the LESA to landlords within the corporate sector who let properties for residential purposes.

**Further advice**

11. If you have any questions about this change, please contact Ruth Curtice on 020 7147 2602 or Craig Mason on 020 7147 2599. Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at <http://www.hmrc.gov.uk>