Income tax implications for landlords with buy-to-let mortgages who receive tracker mortgage redress payments from lenders

Part 04-08-19

Document last updated August 2021

The Central Bank has published **Guidance: Principles for Lenders when Tracker Mortgage Related Issues Identified for Redress.** At Appendix B of Appendix 3, "Supplementary Guidance for Redress and Compensation for Tracker Mortgage-related Issues", Paragraph 1.3.4., on page 8, this document states:

> Any tax liability that impacted customers may incur as a result of the relevant issue or in respect of any redress, compensation or other payment made to impacted customers by the lender, as a result of the relevant issue, are to be discharged by the lender. The lender is to liaise directly with Revenue in this regard.

As the lenders are required to discharge any tax liabilities on behalf of the customers and liaise directly with Revenue, taxpayers who receive compensation under the "Tracker Mortgage Examination" (sometimes called the tracker mortgage redress scheme) do not have to file amended tax returns in respect of the compensation for the years impacted by the compensation payments, nor do they have to take account of the payments in filing future returns or in calculating preliminary tax liabilities. This applies only to compensation payments received as part of the Central Bank's Tracker Mortgage Examination that commenced in December 2015.

For example, taxpayers who receive compensation under the redress scheme in 2020, which covers all years up to and including 2020, do not have to file amended tax returns for years to 2019 to take account of the compensation payment, nor do they have to take account of such payment in rental computations for their 2020 returns.

Similarly, taxpayers who receive compensation under the redress scheme in 2021, covering all years up to and including 2021, do not have to file amended tax returns for years up to 2019, take account of such payments in rental computations for their 2020 returns, or take account of such payments in calculating their preliminary tax liabilities for 2021. The payments also need not be recorded on their 2021 return when that is due for filing.

In some cases, taxpayers may have had their mortgage account corrected in an earlier year but do not receive the compensation until a later year. For example, a taxpayer may have their mortgage account corrected in 2019 but did not receive a compensation payment until 2021. In such cases, the taxpayer does not have to file amended tax returns for the years up to 2019 to take account of the compensation payment. The compensation payment has no bearing on 2020 or subsequent years, so the question of amending the returns for those years does not arise.