



## Making a claim for mortgage interest relief.

You can claim for mortgage interest paid on your principal private residence (PPR) in Guernsey, so long as the money was borrowed from a Guernsey lender. The interest allowed is restricted to the interest paid on a loan of £400,000. More information can be found in [The Income Tax \(Tax Relief on Interest Payments\) \(Guernsey\) Ordinance, 2007](#), as amended.

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

Once you have bought your property, please complete a “Checklist on Buying a Property” which is available [here](#)) and send the form to us. If you’re due mortgage interest relief a revised coding notice will be issued, and your employer will take less tax from your wages each time you are paid.

If you have been told before that you don’t need to complete a tax return, this will change. You will now need to complete one each year so that you can tell us details of the balance of the mortgage and the interest paid.

## The mortgage for my PPR is over £400,000 - how is the relief calculated?

The formula to be used is:

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

Example:

Interest paid during calendar year 2019 = £26,000

Outstanding balance on 01/01/19      £ 512,000

Outstanding balance on 31/12/19      £ 491,000

£1,003,000 ÷ 2 = £501,500 = average

So the calculation would be:

$$\frac{\text{£26,000 x 400,000}}{\text{£501,500}} = \text{£20,738 interest (restricted to the [interest cap](#) of £8,000)}$$

**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, but each individual is able to claim up to the interest cap amount.

## What is the “interest cap” and how will it apply in respect of my mortgage on my PPR?

In 2013, the States of Guernsey decided to limit the amount of interest allowable on a mortgage by introducing an “interest cap”. The amount allowable is reducing each year, see ([“What are the amounts of the interest cap?”](#)) below.

If the interest paid on your mortgage for your PPR is more than the interest cap, the amount allowed to you will be restricted to the cap.

If a property is owned jointly by a married couple, and the loan is in both names, the interest cap is doubled (i.e. £16,000 for the calendar year 2019), regardless of how much each individual pays. If only one person is the borrower, relief will be restricted to the interest cap of £8,000.

For example, where a married couple have a joint mortgage (which is below £400,000):

Spouse 1 pays	£ 2,000
Spouse 2 pays	<u>£18,000</u>
Total mortgage interest paid in 2019	£20,000

A deduction of £16,000 will be given in the assessment, as both spouses are borrowers.

If Spouse 1 was the only borrower and pays the total mortgage interest of £20,000, the allowance given will be restricted to £8,000 as Spouse 2 is not a borrower.

If your mortgage is more than £400,000, you need to first work out the restricted interest amount (using this [formula](#)), then you can see whether the interest cap applies.

## What are the amounts of the interest cap?

The cap is being reduced each year until it’s completely removed in 2025.

The cap is:

Year of Charge	Amount for an individual borrower	Amount for a married couple
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

The amounts for earlier years can be found [here](#).

## If I separate from my spouse and move out of the property, can I still claim for the mortgage interest?

You can only claim for your share of the interest paid if you have a court order instructing you to make the mortgage payments. If there is no court order, no interest can be claimed.

The interest will be allowed once the court order is in place, but no allowance can be given for any time between the date you move out of the property and the date the order is made.

### Contact details

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