

Allowable Repair vs Capital Improvement - Decision

The single line HMRC actually draws between an allowable repair (deductible from rental profit in the year) and a capital improvement (added to base cost; relieved against CGT on disposal). 24 worked examples + an A4 decision tree.

The decision tree (1 minute test)

- Q1: Does the work restore the property to its previous condition (like-for-like)? -> Allowable repair.
- Q2: Does the work enhance the property beyond its previous condition (better materials, larger area, new function)? -> Capital improvement.
- Q3: If only part is improved (e.g. replace a broken slate with a metal slate)? -> Restoration portion = repair, upgrade portion = capital.
- Q4: Is it on a newly-bought property and necessary to bring it to a lettable standard? -> Capital improvement (pre-letting expense, generally not allowable).

24 worked examples - which side of the line?

Work item	Classification	Reason
Replace 3 broken roof slates with same slate type	Allowable	Like-for-like restoration
Replace entire slate roof with new slate	Allowable	Like-for-like, even if whole roof
Replace slate roof with a metal roof	Capital	Different material; enhancement
Repaint exterior windows in same colour	Allowable	Maintenance
Replace single-glazed windows with double-glazed	Capital	Material upgrade; enhancement
Replace double-glazed windows like-for-like	Allowable	Like-for-like (modern materials accepted)
Replace boiler with same-size combi	Allowable	Like-for-like (HMRC standard view)
Upgrade boiler from combi to system + cylinder	Capital	Functional change
Patch leaking gutter with same material	Allowable	Repair
Replace all gutters with new aluminium	Allowable (usually)	Like-for-like maintenance scale
Replace gutters with bigger system + soffits	Capital	Enhancement (size & scope)
Repaint kitchen	Allowable	Maintenance
New kitchen of similar standard	Allowable	Like-for-like (HMRC standard view)
New high-end kitchen replacing basic units	Capital	Material standard upgrade
Replace bathroom with similar suite	Allowable	Like-for-like
Add an en-suite where there was none	Capital	New functional element
Loft conversion / extension	Capital	Always; new floor area
Garage conversion to bedroom	Capital	Change of use; enhancement
Repointing old brickwork	Allowable	Maintenance

Work item	Classification	Reason
Damp-proof course (DPC) installed for first time	Capital	Improvement (first installation)
Repair existing DPC	Allowable	Restoration
Replace carpets with same-grade carpet	Allowable (RDIR)	Replacement of Domestic Items Relief
First fit of carpets in newly-bought property	Capital	Pre-letting capital expense
Buy electric vehicle charger for tenant	Capital	New asset / improvement

Replacement of Domestic Items Relief (RDIR)

Domestic items in a furnished or part-furnished let (cookers, fridges, beds, sofas, carpets, curtains) qualify for Replacement of Domestic Items Relief: replacement cost minus disposal proceeds, like-for-like only. Initial cost is NOT deductible. Any improvement portion is excluded from RDIR.

Mileage rates (2026)

- First 10,000 business miles per tax year: 45p / mile.
- Above 10,000 business miles per tax year: 25p / mile.
- Keep a contemporaneous mileage log: date, from / to, purpose, miles.

Self Assessment line mapping for SA105

- Box 24: Property repairs and maintenance - all allowable repairs above.
- Box 27: Other allowable property expenses - mileage, RDIR replacements.
- Capital improvements: not entered on SA105 - track separately for CGT base cost.