Treasury and Exchequer

Consultation:

Interest deductions for residential Jersey property

06/06/2025

Government of Jersey

Subject of this consultation:	The consultation discusses whether interest should continue to be a deductible expense against Jersey residential property income for tax purposes. It also discusses the potential impact on the housing market of removing interest deductions.
Scope of this consultation:	Views are invited on whether interest should continue to be fully deductible from Jersey residential property income, or whether it should be removed or restricted. We would welcome comments on how this may impact you or Jersey more widely.
Who should read this:	We would like to hear comments from all Islanders, including individuals, businesses, employers, tax agents and accountants, and representative bodies who might be affected by the change.
Duration:	The consultation will run for 8 weeks from 06/06/2025
Lead official:	Tom Queree, Manager – Tax Policy, Revenue Jersey Heather Morgan, Senior Specialist Officer, Revenue Jersey
How to respond:	h.morgan@gov.je Revenue Jersey PO Box 56 Union Street St Helier JE4 8PF
After consultation:	A summary of responses will be presented to Ministers. This will be combined with work on the cumulative impact on the housing market to inform Ministers' decision about whether to retain interest deductions.

Executive summary

The Government of Jersey is looking at whether landlords should continue to be able to deduct mortgage interest costs from their Jersey residential property rental income for tax purposes. This consultation seeks views on whether mortgage interest deductions should continue to be available in full and to better understand the likely impact of any changes to mortgage interest deductions. It also sets out the current rules around interest and other deductible expenses for landlords. Finally, the consultation provides a summary of interest deductibility available in other nearby jurisdictions.

Summary of proposition

In 2023, Deputy Mézec proposed the 22nd Amendment to the Government Plan 2024-2027, asking Ministers to abolish mortgage interest tax deductions in respect of letting properties. This was amended by Council of Ministers to require the Government to examine the case for removing mortgage interest deductions for letting properties before taking a decision on whether to abolish it, to reduce the risk of 'damaging unintended consequences' to the rental market.[1]

The adopted proposition requires the Government of Jersey to

> 'abolish interest tax relief on mortgage for letting properties, subject to the outcome of the Fiscal Policy Panel's review of the Jersey housing market, a full consultation process, and consideration of the timing and cumulative impact upon Jersey's housing market'.

The scope of the amendment includes all types of borrowing against residential Jersey property that is let on the open market by a taxpayer. If it were removed, mortgage interest would no longer be deductible from rental income from 2027 at the earliest.

Scope of the proposition

'Mortgage interest' is not a defined term within the Income Tax (Jersey) Law 1961 ("the law"); for the purpose of this consultation, mortgage interest is taken to mean any loan interest that is deducted from income from a residential property. This includes loans secured against a property, and unsecured loans taken out in connection with the property.

Deputy Mézec has clarified that 'letting properties' only includes residential properties. 'Residential property' is also not currently defined in the law but is taken to mean a dwelling.

Income received by Jersey taxpayers from properties outside of Jersey are subject to different rules regarding interest. Consideration in this consultation is only given to removing interest deductions for property in Jersey.

Throughout this consultation, taxpayers who let property are referred to as landlords. This term includes all individual and non-individual taxpayers.

[1] Council of Ministers' amendment to Amendment 22 to the Government Plan 2024–2027

Current landscape

Deductions for interest paid

Income tax, in Jersey and elsewhere, aims to impose tax on profits rather than turnover. Typically, tax regimes that tax the returns of investments, such as Jersey's, recognise the financial costs associated with those investments. Accordingly, expenses incurred when earning this income are deductible when calculating taxable income.

Article 90AB of the Income Tax Law allows taxpayers to deduct interest paid on a loan for the acquisition or extension of property that is let on the open market to a third party against their income. The following rules apply under this article:

- Both individual and non-individual taxpayers can deduct interest paid from against their property income
- Interest paid can be deducted against all types of land and property
- Loans do not need to be secured to a property in order for interest to be deductible

Taxpayers can deduct the full amount of interest paid; under Article 52 of the law, losses from rental income can be carried forward and offset against rental income in future years. Under concession I17, this includes interest which cannot be relieved in the year.

Other available deductions

Under Article 52 of the law, landlords can also deduct payments for maintenance and repairs, insurance and management, and other business expenses when calculating taxable profits.

This is in line with the treatment for other businesses, which can deduct expenses that are incurred wholly and exclusively for the purpose of generating income from that business, such as employee wages, repairs and maintenance, and loan interest for plant and machinery used in the business.

Mortgage interest tax relief for main residences

Mortgage interest tax relief (MITR) for main residences is being phased out and will no longer be available from year of assessment 2026. Ministers have confirmed there are no plans to change this.

Rental income, after allowable deductions, is taxable; rental income is therefore treated in the same way as other business income. MITR for main residences is not an expense, as it is not deducted from a specific source of taxable income, unlike interest paid on a rental property.

Therefore, MITR for main residences should not be directly compared to interest deductions from property income.

Affected taxpayers

Removing interest as a deductible expense for letting properties would affect individuals and non-individuals (e.g. companies) who receive income from residential property in Jersey.

According to data from the 2022 tax returns, only 20% of rental properties in Jersey let by individual taxpayers had a deduction for interest paid. That means the majority of let residential property in Jersey is held mortgage free, limiting the potential impact of the proposal.

The data also suggests the proposal would have a limited impact on companies as they are more likely to receive rental income from commercial properties (which would be unaffected by the proposal).

An example using average figures for the year of assessment 2022 can be found in Appendix 2.

Potential fiscal impact

An initial estimate suggests that removing mortgage interest deductions could raise a maximum of an additional £2m each year.

Economic considerations

In this section, the Chief Economic Advisor has considered the potential economic consequences from changes to the current tax treatment of mortgage interest paid on residential properties that are let.

An efficiently functioning housing market should provide a range of tenures for residential accommodation for Islanders, including those for purchase and available to rent. Under the current system, landlords can claim a deduction for the mortgage interest paid on rental properties that they own. This has the effect of increasing the returns from investment in property and may encourage property investment over other forms of investment. It also reduces the cost of a mortgage for a landlord relative to a homeowner and could have the effect of driving up house prices as landlords could outbid home buyers.

Removing or restricting mortgage interest deductions will increase the costs (and lower the returns) of mortgage-based investment in property. Landlords that have mortgaged properties may, in response, increase rents or sell properties. This could affect rental prices, the supply of rental properties and/or house prices with the effect depending on the number of landlords/properties affected as well as the speed and scale of the change.

Mortgage interest deductions may act as an incentive for investors to choose property over other types of assets. The Fiscal Policy Panel's review of the housing market in Jersey notes the potential negative impact of housing investment on productivity if it crowds out non-residential investment in activities with higher productivity. In this case, removing mortgage interest tax relief may encourage investment in more productive activities, having a positive impact on productivity. However, any subsequent impact on the number of available rental properties will have a wider impact on productivity if housing supply is further constricted.

Finally, any change to the tax treatment of mortgage interest for tax purposes also needs to be considered in the context of Jersey's housing market, current market conditions and any changes planned or proposed that will affect the housing market, or part thereof.

Policy options

Option 1 – retain in full

Interest remains fully deductible against income from letting properties for all properties and taxpayers. There is no change to the current system.

Option 2 – remove entirely

Interest is no longer an allowable expense against rental income from residential properties from 2027. Interest would remain deductible from income from commercial properties.

Option 3 – restrict

A restriction is introduced so that only a portion of interest paid is deductible. This could take the form of a maximum monetary or percentage deduction.

Option 4 – phased basis

Either option 2 or option 3 could be done gradually rather than all at once.

Questions

1. Please indicate in what capacity you are responding to this consultation: professional body, landlord, tenant, other.
2. Please indicate your preferred option (1-4) and the benefits of this.
3. Please provide details of benefits or disadvantages of continuing to allow interest to be deductible as it currently stands
4. If you believe interest deductions should be restricted, please explain how that should look and the benefits of restriction over removal
5. If you believe interest should no longer be deductible, please explain the benefits and disadvantages of this approach

Appendix 1 – a summary of other jurisdictions

Interest as a deductible expense against income from rented property is common across the OECD, with 70% of OECD countries offering a tax deduction or credit. However, not all countries offer a full deduction of the interest paid. All jurisdictions have a unique tax system; comparing one element may provide a distorted perspective.

From 2017, the **United Kingdom** has phased out the availability of mortgage interest deductions from rental income for personal taxpayers at the higher income tax bands (40% and 45%), restricting taxpayers to a 20% tax credit on the mortgage costs of rental properties. This change was made over 4 years.

In its 2023 Budget, **Guernsey** agreed to phase out mortgage interest relief for residential rental properties. Available relief was capped at 75% of the total interest paid in 2023 and 50% in 2024. In the 2025 Budget, Guernsey agreed to stop the phase out; 50% of the cost will remain available for 2025 and subsequent years.

Interest relief for residential rental property in **Ireland** was restricted to 75% of the total interest paid from 2009 until 2017; full relief has been available since 2019.

Interest is fully deductible against property income in the **Isle of Man**.

Appendix 2 – example of the potential impact on a landlord

Example with interest deduction

	£
Non-property income	45,000
Gross property income	14,850
Less:	
Interest paid	(4,455)
Other expenses	(1,500)
Total income	53,895
Tax	**8,631**

Example without interest deduction

	£
Non-property income	45,000
Gross property income	14,850
Less:	
Interest paid	N/A
Other expenses	(1,500)
Total income	58,350
Tax	**9,789**

These examples use:

- the median gross income declared in 2022 from a Jersey property
- the median interest deduction (30% of gross income)
- the single person's threshold for the year of assessment 2025