

2022 – Behind Us

Membership

The SWLA financial year ends 31 October and the new membership year begins 01 November. We ended 2021/2022 with 1033 members, an increase of 5%. The increase in membership was largely due to word of mouth. In a difficult year for landlords and agents, the association was able to assist with advice and support. The additional legislation introduced during the pandemic led to confusion and an inability to gain possession of property. The consequential backlog of repossession cases and court delays are now easing. The additional work meant a busy year for the office staff.

An increase in the annual membership fee to £50 was approved at the AGM. If you are yet to renew – please do so. Some will only realise their non-renewal when they are unable to access the website members area.

Finance and Operations

The refurbishment of the SWLA building exterior and associated redecoration of the internal spaces was completed. We are now reviewing the website and IT systems to upgrade. Prudent management by the Treasurer and Committee ensure SWLA premises remain aesthetically pleasing, our systems technically current, our staff well trained and settled and we still remain financially sound.

Meetings and Training

Officers and staff have represented the association at local and national meetings with politicians and pressure groups, as well as housing interest institutions. Training of landlords and agents continue online, and all courses are fully subscribed. Efforts will be made in the forthcoming year to explore resuming face to face training. Keep an eye on the SWLA website for upcoming courses in 2023. You will find all course information under the 'training' section of the website.

The Coming Year

Let's hope COVID in its previous form is behind us. Predictions – property prices easing, increased taxation, higher utility bills – especially impacting HMOs, introduction of the Renters Reform Bill. Energy efficiency (MEES) high on the agenda with new rules expected for 2025.

No matter what 2023 brings, SWLA will be there to aid and assist where possible.

Have a prosperous 2023.

December 2022

Key Highlights for Landlords from the Autumn Budget 2022

HMO Landlords - Encouraged to Back Council Tax Re-branding Campaign

HMRC Tracking Down Landlords with Undisclosed Income

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Design of the Energy Company Obligation Consultation

Key Highlights for Landlords from the Autumn Budget 2022

Capital gains tax relief allowance halved

From 2023, the Annual Exempt Amount for capital gains tax will be cut from £12,300 to £6,000, and then cut again to £3,000 from April 2024.

Stamp duty cut to remain - but only until 2025

The Chancellor shared that "the stamp duty cuts announced in the mini-budget will remain in place but only until 31 March 2025." This means that the threshold of the price of a property before stamp duty is paid will stay at £250,000, up from the previous threshold of £125,000 - but now for a time limited period.

Social housing sector rent cap to be introduced

The social rented sector is currently expecting rent hikes of up to 11% next year, which is why the government has announced a 7% cap on rent increases for social rents in 2023-24. Note- this rent cap does not apply to shared ownership rents or private sector rents.

Dividend allowance will be cut from 2023

The dividend allowance will be cut from £2,000 to £1,000 in 2023, and then drop further to £500 in April 2024. This will affect any landlords using limited company structures - as they pay themselves and other shareholders dividends from their rental profits.

Threshold for top rate of income tax cut

More high earning agents and landlords will start paying the 45% top rate of income tax, as the threshold will be brought down from £150,000 to £125,140.

Income, national insurance, and inheritance tax allowance thresholds frozen until 2028

Although the tax bands stay the same, freezing the current allowance threshold for income tax and national insurance tax means that more people will move into higher tax brackets as their wages increase in line with inflation.

Inheritance tax will also be frozen at the current rate of £325,000.

The National Living Wage will increase

The National Living Wage in the UK is currently £9.50 an hour for over-23s. This will rise by 9.7% to £10.42 - an annual pay rise worth £1,600 to the average worker and the largest increase in the UK's national living wage ever.

Housing Benefit Freeze

Housing Benefit is frozen at 2020 levels. This risks more hardship for tenants and possible arrears for landlords.

Employer National Insurance threshold frozen until 2028

As with the personal allowance thresholds, this threshold will equate to employers paying more as wages increase and more fall into the higher brackets.

However, the Chancellor has also shared that the government will keep the Employment allowance at its current higher level of £5,000. This combination means that around 40% of businesses will pay no National Insurance Contributions.

Energy price guarantee extended for a further 12 months

The energy price guarantee will remain in place for a further 12 months from April 2023, but the price will increase to £3,000 per year for the average household, meaning an average of £500 support for every household in the country.

The chancellor will also introduce additional cost of living payments next year:

£900 to households on means tested benefits

£300 for pensioner households

£150 for those on disability benefits

£1 billion of funding for the household support fund, extending the support for a further 12 months

Article Abridged from GoodLord

HMO Landlords – Encouraged to Back Council Tax Re-Branding Campaign

We encourage all landlords to get behind a campaign that aims to abolish council tax re-banding for shared houses, which has the backing of Gosport MP, Caroline Dinénage.

For some time, the Valuation Office Agency has had discretionary powers to charge council tax per room as opposed to per property, making bills around four times more expensive for many landlords – an additional cost that is often reflected in rent rises for tenants.

Following consistent campaigning by the HMO landlord community, an amendment to the Levelling Up and Regeneration Bill has been tabled by Dinénage in a bid to reverse such measures and ensure HMOs are consistently classed as a single household for council tax purposes.

Caroline Dinénage said: “The Valuation Office Agency has been applying council tax to bedrooms that are not self-contained spaces. This ultimately makes each bedroom a separate dwelling, resulting in the tenant being liable for council tax on a bedroom. This disproportionately affects young, hardworking individuals who are now required to pay council tax on a property which doesn’t fit the criteria. My amendment seeks to change the definition of a dwelling to include self-containment, so that we can prevent the imposition of Council Tax individually on tenants of a room in a house with shared facilities.”

Her motivation comes from the fact that in her Gosport constituency, where executive HMO developments are ‘breathing new life’ into the town centre, council tax re-banding will be an additional blow for renters and cause financial uncertainty at a time when prices are rising.

Emma Hayes, Managing Director of Platinum Property Partners (PPP), said: “Although HMOs have been at risk of council tax re-banding since the early 1990s, the actual occurrence has remained low, until now. With increasing requests from councils to re-band properties, it’s crucial we get the measures reversed so that landlords can continue to provide high quality affordable accommodation. If individual rooms are suddenly billed as separate units for council tax purposes, tenants will undoubtedly see their rents increased or no longer benefit from the level of financial certainty of having one all-inclusive monthly housing cost.”

SWLA have had many similar queries from HMO landlords, where their tenant may have a bathroom but share a kitchen. Or may have a kitchenette but share a bathroom. The Valuation Office Agency are taking action and reclassifying some rooms within HMOs. We haven’t heard of any successful appeals once the revaluations have taken place.

Act fast – what can landlords do?

Email and write to your MP and request their support. When writing, you can use the following address:

<Your MP>
House of Commons
London
SW1A 0AA

Remember to include your name and the post code of your home address or property address (depending on the MP that you are writing to).

HMRC Tracking Down Landlords with Undisclosed Income

HMRC is intensifying its efforts to track down landlords with undisclosed income, a financial consultancy claims. Perrys, a firm of chartered accountants, says this is despite HMRC's 'Let Property' campaign being regarded as successful with more than 58,000 disclosures and approximately £250m recovered in unpaid taxes.

However, Perrys says many landlords are now facing demands for back payment of taxes and associated interest, as well as facing large fines. The firm warns that penalties for undisclosed income can be hefty, ranging from 10% and rising to 100% of the rental income in some cases.

Furthermore, landlords who receive letters demanding payment from HMRC will pay substantially more in fines compared to those who declare their income voluntarily. There are many reasons why someone might not have declared rental income to HMRC, suggests Perrys. In some cases, this could be because an individual became an accidental landlord.

How does HMRC know if you have undeclared rental income?

HMRC has numerous ways to find individuals who haven't declared rental income, and their resources for investigating are extensive. These include gathering information from HM Land Registry and Stamp Duty tax returns, reviewing reports from lettings agents and tenancy deposit scheme providers, carrying out online searches, making door to door enquiries, receiving reports from members of the public and collecting information from other government departments, such as the electoral register. The law allows HMRC to go back up to 20 years and, in some cases, HMRC may carry out a criminal investigation.

What happens if I don't declare undisclosed rental income?

Regardless of your reasons and no matter how overwhelming it might seem, it is important to remember that not declaring rental income is a criminal offence - the longer you leave it, the bigger the tax bill and penalty you will need to pay. The good news is, there is professional support available to help you navigate the system and get your tax affairs in order.

What is the best way to declare undisclosed rental income?

Do not wait until you receive a letter of demand from HMRC. Instead, you should speak to a professional, such as a specialist buy-to-let accountant, who will be able to guide you through the process, calculate the tax you owe and ensure any mitigating factors are correctly applied.

What should I do if I receive a letter from HMRC about undisclosed rental income?

If you have already received a letter from HMRC requesting payment for undeclared rental income and you haven't yet come forward, then it is important you do not ignore it. Instead, you should contact a professional as soon as possible to discuss your options and get assistance with correctly calculating the amount you owe to avoid mounting bills and substantial penalties.

Article Abridged from Landlord Today

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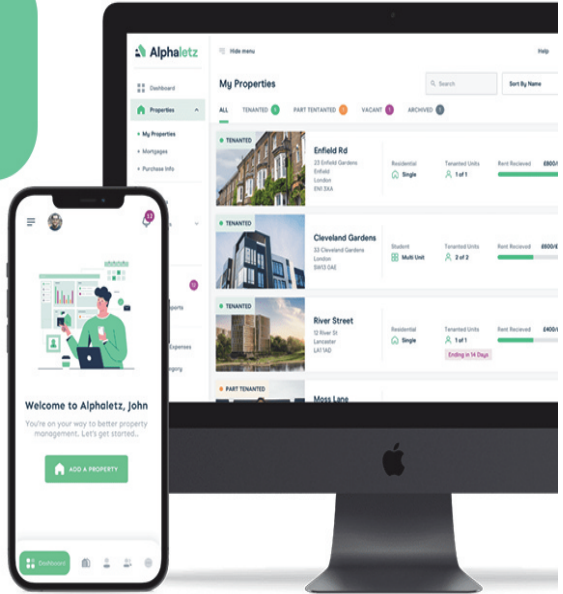
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When will Rental Reform become Law?

The short answer is that we have no idea.

The Government has once again declined to give a clear timetable for the introduction of the Renters Reform Bill. At the end of a very sparsely attended debate in the House of Commons, Felicity Buchan - a newly appointed under-secretary of state at the Department of Levelling Up, Housing and Communities - agreed with the sentiments of almost all those MPs who had spoken.

However, she simply said there would be progress on the Bill "in due course". This is despite the legislation being pledged three years ago, in the Conservative manifesto for the 2019 General Election. Buchan made a number of general statements summing up for the government at the end of the short debate.

She said: "The Government are determined to deliver a new deal for tenants and landlords in the private rented sector ... Everyone in our society deserves to live somewhere decent, warm, safe and secure. The Government are determined to make that vision a reality."

She also said: "I am proud of the action that the Government have already taken to put things right. We have strengthened local authorities' enforcement powers by introducing fines of up to £30,000, extending rent repayment orders and introducing banning orders for the most serious and prolific offenders.

"We have introduced new regulations, which require landlords to install smoke and carbon monoxide detectors and ensure that the electrical installations in their properties are safe. We are concluding our overhaul of the Housing, Health and Safety Rating System, which is the tool used to assess hazardous conditions in rented homes. That will make it more accessible to tenants and landlords and allow more efficient enforcement.

Whilst attending a landlord conference recently, Buchan said that her Government would never bring in rent controls. The Minister confirmed that Section 21 would be going and encouraged the sector to get ready for that eventuality. She also outlined the Government's commitment to ensure its plans to reform the private rented sector work for both responsible landlords and tenants. She also said that she understood concerns about the impact of the reform on the student housing market. She made clear the importance of the court system working properly and efficiently when Section 21 is abolished.

Buchan accepted the proposal of a roundtable (representing tenants, landlords and the police) to develop clear and workable plans to ensure that the behaviour of anti-social tenants can be tackled effectively when Section 21 goes.

Article Abridged from Landlord Today

City to Fine Landlords up to £5,000 for Failing to Attain EPC E

Nottingham landlords could face a £5,000 fine if their property doesn't have an EPC (Energy Performance Certificate) E rating as the city council bids to crack down on cold homes. The authority has agreed to adopt financial penalties under the Energy Efficiency (Private Rented Property in England and Wales) Regulations instead of serving enforcement notices and civil penalty notices.

Its report says the current option is no longer suitable as it believes 'bad practice' will continue in the private rented sector and that housing conditions will only remain the same.

Nottingham – which hopes to become carbon neutral by 2028 – has already received DLUHC (Department for Levelling Up, Housing and Communities) funding to help identify rented properties that have an EPC rating below E and says it will now be able to serve compliance notices on the owners.

Those who fail to comply could face a fine ranging between £800 to £5,000 depending on "culpability and harm factors", with income received used solely to further its enforcement work.

Its report adds that where properties have an EPC rating below E, it is highly likely that the property has poor thermal efficiency, making it expensive to heat. It comes as the Government plans to require all newly-let properties to have a rating of band C by 2025, while properties with existing tenancies would need to comply by 2028.

Article Abridged from Landlord Zone

Shortage of Homes in Plymouth – A Message from Plymouth City Council

Can you help?

Demand for private rented accommodation has seen significant increases over the past 2 years. At the same time, we are seeing an increasing number of households approaching us as homeless or at serious risk of homelessness. There are more single persons, couples and families than ever in temporary accommodation including bed and breakfast, waiting to move on to a home.

Plymouth City Council are reaching out to you as we believe you are either a landlord, or agent, who may be able to help be a part of the solution!

If you have under-occupied buildings such as HMOs, if you have tenants that are moving out and need to organise re-letting, or if you have ideas on what could work better, then we want to hear from you as we have many potential tenants we can direct to you. Please email communityconnections@plymouth.gov.uk with property details and your contact details and if suitable we will be in touch with you.

In addition to this, there are 2 other existing schemes in the City.

1) If you are interested in leasing your property to us at a guaranteed monthly rental please contact **communityconnections@plymouth.gov.uk** in the first instance with the subject title 'Houselet'.

2) Owners of empty properties who are interested in letting their properties to those in need of accommodation in the city can contact Plymouth Homes 4 Let (PH4L). They are a local letting agency that works with the Council, managing properties on behalf of owners. See **www.ph4l.co.uk**.

Thanks in advance and we look forward to hearing from you – all further enquiries or suggestions to **communityconnections@plymouth.gov.uk**

Article by Plymouth City Council

Rents Rising - Tenant Demand Increasing, Landlords Leaving?

The rental market continues to come up against huge problems including low supply, high demand and rising rents, the latest housing market survey by RICS (Royal Institution of Chartered Surveyors) has revealed.

Its surveyors reported that last month tenant demand continued to rise at a 'solid pace' including a significant number of estate agents taking part in the survey reporting more enquiries from prospective tenants.

Set against this, RICS says landlord instructions to market properties dropped again last month and given this mismatch of supply and demand, rents are expected to rise across the UK even more in the coming months.

Rents are expected to rise by 4% on average nationally over the next 12 months.

Chris Baker of McDowall's, says: "The lettings market is suffering from a continued lack of supply with tenants staying far longer in their homes. Some experienced landlords are keeping rents steady, preferring to allow good quality tenants to remain in their homes." John Chappell of Chappell & Co, says: "Despite growing demand from prospective tenants, our landlords have all instructed us to hold back on rent reviews until at least Spring 2023, to see what effect the current crisis has on tenants' ability to afford their rent this winter. More landlords are selling up due to uncertainty in the market."

The SWLA office has seen a huge increase in rent increase queries from members. Understandable with the increases in mortgage rates, energy costs and the general cost of living.

Article Abridged from Landlord Zone

Best Tips for Helping to Avoid Deposit Disputes

Start with the tenancy agreement. The terms of a tenancy agreement can vary from one property to the next, so having clear clauses and an understanding of who is responsible is the best way to avoid disputes in the future.

Investing time in inventory reporting is well worth it, the more comprehensive the report is, the better! This helps to set expectations for tenants and landlords when details are captured at check-in. The condition of items detailed at the beginning and end of a tenancy is vital, so refer to the condition and cleanliness to ensure there is no ambiguity at the end of the tenancy. If you don't feel confident in conducting and recording a report, inventory clerks can be employed to carry out impartial and thorough check in and check out reports that can help reduce deposit disputes.

Mid tenancy maintenance checks/inspections will give you an idea of how well the property is being maintained by the tenants and provides a good opportunity to address any concerns highlighted during the inspection, so be sure to diarise them. Remember – your tenant is not obliged to allow you access into their home – bear this in mind when arranging.

Communication is key. By communicating and discussing any deposit disputes, it is possible to prevent a lot of issues from going to adjudication. Landlords have found that using a 'Deposit Deductions template' to specify the amount they want to subtract from the tenant's deposit is often successful in reaching an agreement. This document can be found on the deposit scheme's website.

Send your deposit deduction proposal to your tenant and/or attempt to discuss it with them. Often tenants will agree to the deduction (if it's fair) and then no adjudication would be required. If they do not agree – you can attempt to negotiate with your tenant. If parties do not agree with the deductions, the free deposit protection adjudication can be used.

If all parties agree to the deposit scheme resolving the dispute, the scheme will appoint an impartial adjudicator to make a legally binding decision, normally within 28 days of receiving the parties' consent and evidence. If one of the parties does not reply to the scheme's notification, they are treated as consenting. In all these cases, the adjudicator will normally make a decision based on the evidence received within 28 days after the deadline for giving evidence.

Note – with insured deposits, the disputed amount must be paid to the scheme to hold during the dispute resolution process, and any undisputed amount repaid to the tenant. When adjudication is complete, the scheme will pay the money to the parties according to the decision of the adjudicator.

Note - with custodial deposits, the scheme already holds the deposit. The scheme will pay the undisputed amounts to the parties in accordance with the landlord/agent and tenant's instructions and hold on to the disputed amount until a decision has been made by the adjudicator.

Article Abridged from The Tenancy Deposit Service

An Introduction to Plymouth Access to Housing (Path)

Path is a homelessness charity based in Plymouth, helping tenants who are on low incomes and are struggling to find a place to live. They also work with Ukrainian refugees who are moving on from their hosts after 6 months. Path are urgently looking for properties in the Private Rented Sector.

Services that Path can provide;

Private Rented Access Service;

- Help with a deposit and rent in advance (bond or cash deposit)
- Path stay in touch and are available to landlord and tenant over the first year
- Landlord decides who to take on as a tenant
- Set up direct payments of Universal Credit to landlord

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If you have a property and would like further information on Path's options, contact them on 01752 293730 or e-mail info@pathdevon.org. Easylet is available on; easylet@pathdevon.org

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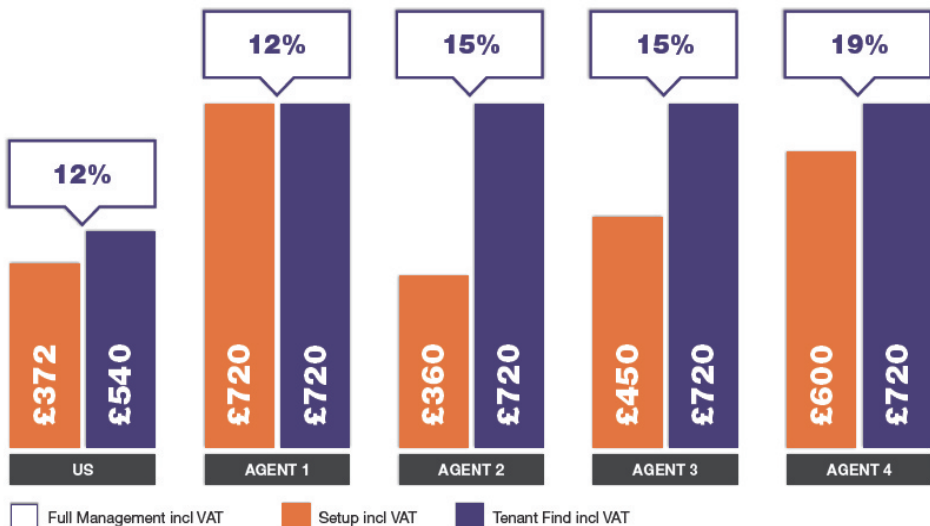
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Inventories are Key for Landlords!

“Inventories have always been a vital tool to protect your property and its contents. Inventories will also be key to easing the sector’s fears when England’s rent reform proposals become law,” says No Letting Go CEO, Nick Lyons.

Everyone wants decent homes in the PRS as well as a level playing field for letting agents/landlords and tenants.

“This is best achieved through transparency at the outset of a tenancy agreement, regular monitoring throughout its duration and a thorough, detailed inspection when the term comes to an end,” explains Lyons.

He says the Renters’ Reform Bill proposals take what is already best practice and make it a legal requirement.

“Reputable letting agents already operate at a level which is not threatened by these measures, but as an industry, letting agents and those servicing the sector must make sure that they are meticulous in all aspects of their operations”, he says.

Lyons adds that 80% of private rented homes already achieve or surpass the Decent Homes Standard and while there are adequate protections in existence, it is important to ensure that protocols and compliance are spot on.

“This is the last line of defence,” he says. “Critical to that is the preparation of a professionally prepared inventory – agreed and signed off by both parties – to underpin every tenancy agreement and reassure agents and landlords that their properties are valued as homes and treated with due care and respect for the duration of the letting term.”

If part way through a tenancy, it is found that your property is not of an acceptable standard, but it was acceptable at the beginning of the tenancy, without an inventory you have no proof that you provided a healthy and safe home to your tenants. Leaving yourself open to enforcement action.

Inventories can be completed by landlords or professional inventory clerks. If you carry out your own inventory – be sure to take photographs and explain the condition of everything in detail. If it’s not mentioned or visible in the inventory – that fixture or structure is not protected.

For professional inventory clerks – see the SWLA trade directory.

Article Abridged from Landlord Zone

Fine Levied by Council on Rogue Landlord

A Teignmouth landlord has been fined £10,000 by Teignbridge District Council’s Housing Services team for failing to tackle essential repairs following a complaint from a tenant.

It is the first time that the council’s private sector housing team has levied a fine under the Housing Act 2004. But with over six months elapsing without the repairs being made, it felt it had no other option but to impose the fixed penalty notice in an effort to get the essential safety work carried out.

An improvement notice was issued to the landlord, after a Housing Officer visited the property last year and identified a defective fire detection system and other fire safety concerns, hazardous stairs, and a leaking roof.

The housing team always tries to work alongside landlords to help them improve standards in their properties, but as multiple households were affected by these hazards and the landlord was not cooperating, it was decided that a tougher approach was needed.

Executive Member for Housing Cllr Martin Wrigley said: “We are determined to tackle rogue landlords who do not maintain rented properties properly and put residents at risk. It is really important that anyone renting a property in Teignbridge can be confident that it is a safe place to live. It is disappointing that although the Landlord had plenty of time to do the work, they didn’t get it done. When an improvement notice has been served, Teignbridge Council expects it to be carried out, so that tenants are not at risk.”

Under the Housing Act 2004 Teignbridge has a legal duty to act as in this case, ‘Category 1 hazards’ were identified and the £10,000 fine was to be paid within 28 days.

Article from Teignbridge District Council

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Has the Bubble Burst? – A Mortgage Broker’s Perspective for the Medium Term by Calum Levy

Over the past two weeks I’ve had several emails from lenders saying that they are in fact lowering rates, which seems both a blessing in this environment, and surprising, given the Bank of England’s Base Rate increase on 03 November. Why is this the case?

Mortgage rates are not strictly linked to the Bank of England base rate as it is often made out. There are many factors involved in their pricing, such as the rate at which they can buy the money in themselves, their own supply and demand; if they have fewer new mortgagees, they are likely to lower their rates to entice people to take out business with them.

Think of it like a book balancing exercise. A lender’s whole objective is to make money from the clients they lend to via charging them a rate higher than what they’ve secured the lending for themselves, that’s their margin. Why have the rates dropped? Because the rates at which they charge ‘price in’ the predicted future base rate movements. So, this could be promising for the short term as it implies the lenders had over-estimated the height of the rates.

Do not expect the heady days of sub 2% fixed rate products, that we’ve been somewhat used to, because of the general market conditions. Perhaps we can get a little bit more comfortable that we’re near the height of it all.

Article By Calum Levy, Mortgage Broker at Excaliber Associates Ltd

Landlord Repossessions Rocket

Landlord repossession claims have reached a record level with increases being seen in all regions of England. The Ministry of Justice (MoJ) said that landlord possession actions have increased significantly in the three months to the end of September.

When compared to the same quarter last year, landlord possession claims rose from 10,202 to 21,012 – that’s an increase of 106% – and orders grew from 5,601 to 15,352 – a rise of 174%.

The figures also show that warrants have risen from 4,552 to 8,505 (87%) and repossessions from 4,891 to 5,403 (10%).

A statistician for the MoJ said: “Private landlord and accelerated procedure volumes have surpassed pre-pandemic COVID levels with private landlord claims recording the highest level ever, this quarter.”

Crisis, the homelessness charity, is warning that tenancy evictions will continue rising as the cost-of-living crisis deepens and the court’s lockdown backlog is cleared.

If our members plan to serve notice to tenants – via Section 8 or Section 21, we encourage contact with the office to ensure that your paperwork is in order prior to the service of notices. The gov.uk guide titled ‘Understanding the possession action process: guidance for landlords and tenants’ is an imperative read, it highlights all stages of the possession procedure.

Article Abridged from Property118

Tenant Jailed Attempting to Sell Landlord’s Property for £400,000

A tenant who tried to sell his rented house without the landlord’s knowledge has been jailed for two and a half years.

Less than two weeks after receiving the keys to the three-bedroom house in Cambridge in February 2020, the property appeared for sale online via a fake estate agent company. Andrew Smith was only rumbled when a prospective buyer conducted a drain survey.

In June 2022, when the unwitting victim visited the property with a drain surveyor, neighbours told him that they thought the house was tenanted and not for sale and advised him to contact the letting agent.

Police discovered that many documents Smith had provided to the letting agent were fraudulent. He had also made payments to a furniture rental company, which supplies furniture for show homes, shortly after moving in.

Smith admitted fraud by false representation and entering into money laundering.

Detective constable Dan Harper says: “This is an almost unbelievable and truly brazen crime, which saw an innocent buyer almost part with more than £400,000 for a property that was never for sale in the first place.”

A very rare case – but landlords must remain vigilant, especially when checking Right to Rent documents and carrying out pre-tenancy checks. If you aren’t confident in carrying out your own tenant checks – instruct a professional. See the SWLA website under ‘Tenant Checks’.

Article Abridged from Landlord Zone

Right to Rent Checks

You must check anyone aged 18 or over who pays to use your property as their main home, for example, tenants, sub-tenants and paying house guests.

The adjustments to right to rent checks introduced on 30 March 2020 as part of the response to COVID-19, ended on 30 September 2022. In that period, you were able to use video calls and digital copies of identification to check your tenants right to rent.

From 1 October 2022, landlords must carry out the prescribed checks as set out in the guidance via one of the following methods:

- a manual right to rent check
- a right to rent check using IDVT via the services of an identity service provider (IDSP)
- a Home Office online right to rent check

Conducting any of these checks will provide landlords with a statutory excuse which is a defence against a civil penalty.

The gov.uk website has a brilliant tool which guides you through the check;
www.gov.uk/landlord-immigration-check

The link above talks you through every scenario with multiple choice options – then advises you of the outcome, i.e. what to check, how to check and whether the tenant has the right to rent your property.

Feel free to call the SWLA office if you need any help locating the link.



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What Tax do Landlords Pay on UK Rental Income?

There are about 2.6m private landlords in the UK, and although some have large, lucrative property portfolios, 43% of private residential landlords in England rent out just one property. About 39% rent out two to four properties, while 18% rent out five or more. It's a similar story elsewhere in the UK.

Sometimes people become "accidental landlords", for example, after inheriting a property which they rent out rather than sell. In other cases, people move to another UK or overseas location and rent out their former home, which provides welcome additional income, as well as a sound retirement investment.

If you've just become a residential landlord or you're interested in becoming one, naturally you'll want to know the answer to one key question – "how much UK tax will I pay on my rental income?"

How much tax will you pay on your rental income?

- Most UK residential landlords pay tax on their rental income via Self Assessment, the system UK tax authority HMRC uses to collect Income Tax.
- You don't pay tax on the first £1,000 of property rental income. This is called your Property Allowance. However, you can't claim your Property Allowance if you claim allowable expenses (see below).
- If your annual property income is between £1,000 and £2,500 a year, contact HMRC for advice on reporting your rental income.
- You must report your rental income via a Self Assessment tax return if it's £2,500-£9,999 after allowable expenses or £10,000-plus before allowable expenses.
- Allowable expenses are costs that HMRC allows you to deduct from your rental income. The higher your total allowable expense claim, the lower your tax bill.

Need to know!

To pay tax via Self Assessment you must first register with HMRC. If you don't normally file a tax return, you must register for Self Assessment by 5 October following the end of the tax year (5 April) within which you had rental income to report.

Your rental income will be added to your other taxable income and once allowances and reliefs have been claimed, you'll be taxed on what's left. The Income Tax band into which you fall will determine the size of your tax bill.

- No tax is payable on annual taxable income of up to £12,570. This is your tax-free Personal Allowance.
- The basic rate of 20% is payable on taxable income of £12,571-£50,270.
- The higher rate of 40% is payable on taxable income of £50,271-£150,000.
- The additional rate of 45% is payable on taxable income of more than £150,000 (*all figures 2022/23 tax year).

Claiming allowable expenses

For an expense to be allowable/deductible, it must result "wholly and exclusively" from renting out your property. If you use something for personal and landlord reasons, such as a mobile phone, you can only claim allowable expenses for calls you make for renting out and managing your property.

You claim allowable expenses by summarising them within your Self Assessment tax return, as well as your rental income and other sources of taxable income. Then HMRC will tell you how much Income Tax you owe.

The online filing deadline for your Self Assessment tax return is midnight on 31 January following the end of the tax year in which you had taxable income. The UK tax year runs from 6 April until 5 April.

What allowable expenses can landlords claim?

Allowable expenses that landlords can claim can include:

- property maintenance and repairs
- ground rents and service charges
- redecorating between tenancies
- insurance
- water rates, council tax, gas and electricity (if you pay them for the property)
- gardening and cleaning costs
- letting agent fees/management fees
- legal fees for lets of a year or less
- accountancy/bookkeeping fees
- direct costs (e.g. phone calls, stationery and advertising for new tenants)
- vehicle/fuel costs (only those relating to renting out your property)
- costs for disposing of old items of furniture or electrical appliances, etc.

What expenses can't landlords claim?

You cannot claim mortgage capital repayments as an allowable expense. Neither can you claim for mortgage interest payments or other finance-related costs (e.g. mortgage-arrangement fees). Instead, you get a 20% tax credit to cover such outgoings.

When replacing things, for example, a toilet or burglar alarm, you cannot claim a full allowable expense if the replacement is of superior value. You can only claim for a "like for like" amount as an allowable expense.

Improving a property, for example, by adding an extension, cannot be claimed as an allowable expense, because you're making a "capital improvement". Later, if you sell the property, you may be able to claim capital expenses against Capital Gains Tax.

You can't claim an allowable expense for replacing sofas, beds, carpets, curtains, furnishings, white goods, etc in a furnished or part-furnished rental property. But you might be able to claim Replacement Domestic Items relief, which will also reduce your Income Tax bill. Once again, you cannot claim for something of superior value.

What about undeclared rental income?

If, for whatever reason, you've earned rental income that you haven't reported via Self Assessment, you can tell HMRC about it by means of a "voluntary disclosure". There may be a penalty to pay, but it will be lower than it would be if HMRC finds that you've failed to report taxable rental income. Visit government website GOV.UK to find out more.

Article by GoSimpleTax

SWLA would like to remind members that tax computations are individual and may be complex. We recommend taking professional advice prior to submitting returns,

Design of the Energy Company Obligation Consultation

Making homes energy efficient is the best way to mitigate the current energy crisis and a consultation on the ECO: 2023-2026 scheme is looking for views from consumer representatives, energy suppliers and those with an interest in energy efficiency and fuel poverty policies.

The UK Government intends to lay the necessary legislation for the scheme to launch in Spring 2023 and run until March 2026. However, they also plan to work with energy suppliers to explore the potential for some earlier delivery in 2023.

For more information and to take part in the consultation, visit the SWLA website newsfeed.

Article Abridged from PropertyMark

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SWLA stationery may change without notice so before using a document, make sure that you use the latest one on the SWLA website, by checking the issue date or check with the SWLA office at the email address or telephone number shown below. Don't forget our ability to advertise accommodation to let, property for sale in our office window

Our website newsfeed is kept up to date with all landlord news – be sure to have a read! Also, if you have Facebook, like our page for regular news updates.

KBG CHAMBERS - Barristers – Plymouth, Truro & Exeter

We will support members with legal advice and representation through public access. KBG cover all areas of Property Law.

Call 01752221551 or email Colin Palmer, Senior Clerk, on colin@kbgchambers.co.uk

Rory Smith, Enigma Solicitors

Rory Smith is a highly experienced specialist in a wide range of disputes and their resolution. Rory can also recommend to you other law firms in Plymouth who will all offer free initial advice to SWLA members in other specialist areas.

Contact Rory on 01752 600567 or by email at rls@enigmawork.com Enigma is located 5 minutes away from SWLA's office at Farrer Court, 77 North Hill PL4 8HB. The office is open 8:30 a.m. until 5:00 p.m. weekdays.

Richard Gore at Shakespeare Martineau is well regarded for his work with landlord disputes, including dilapidations claims, lease renewals and forfeiture claims. Contact Richard for a free initial conversation by calling 0117 906 9400 or email Richard.Gore@shma.co.uk

Did you know that SWLA have a trade listing of local businesses? Head to the SWLA website 'Trade Directory' for all of your landlord needs from Gas Safety Checks to Building Services

SWLA

South West Landlords Association

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Produced by Mark Price

By **The South West Landlords Association Ltd 30 Dale Road, Plymouth PL4 6PD**

You can contact our answerphone service on 01752 510913 or E-mail us at info@landlordssouthwest.co.uk, visit our website www.landlordssouthwest.co.uk

Or visit our office in Dale Road, it is open week days from 10am to 3pm

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