

National Landlords Association

NLA NEWS and LEGISLATIVE UPDATE

November 2016

See speaking notes for more info.

www.landlords.org.uk



KNOW
your rights



MEET
fellow landlords



GAIN
a competitive edge



SAVE
on services

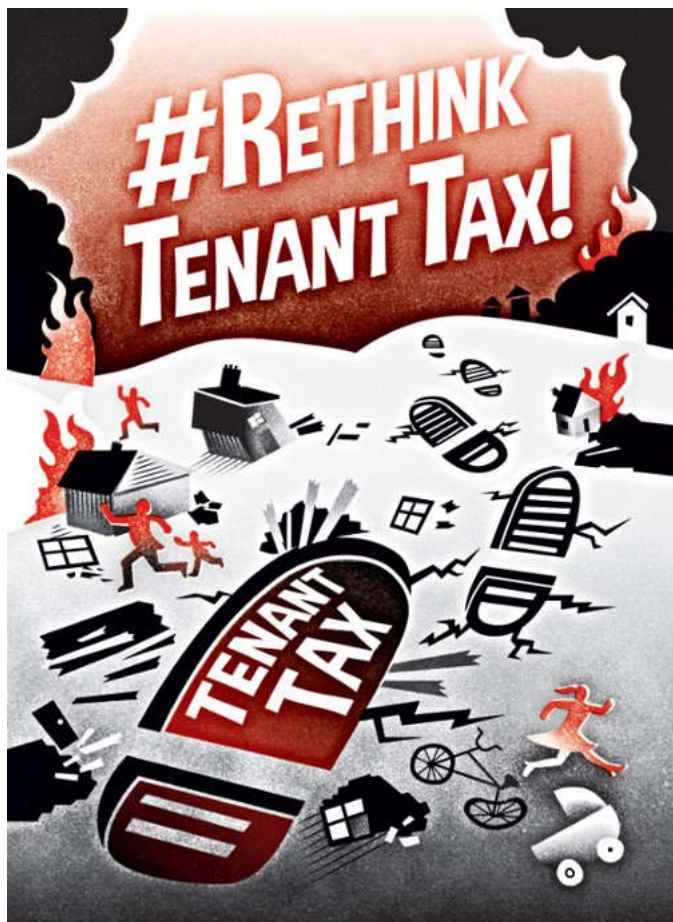


STRENGTHEN
our voice

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■ Rethink Tenant Tax







www.rethinktenanttax.org

- Lobby Chancellor on the Tenant Tax – otherwise known as Section 24 of the Finance Act 2015.
- HM Treasury say they cannot imagine how tax impacts on tenants.
- So we thought we'd make it real simple, draw them a picture and send it to them on a postcard.

■ Tax Changes

- Restriction on the relief on finance costs to basic rate e.g. higher rate taxpayers will only be able to claim the lower rate
 - in 2017-18 the deduction will be restricted to 75% at higher rate and 25% at basic rate tax reduction.
 - in 2018-19, 50% / 50% split
 - in 2019-20, 25% / 75% split
 - 2020-21 all financing costs incurred by a landlord will be given as a basic rate tax reduction.
- The restriction will be phased in over 4 years, starting from April 2017.

Tax Changes

Intended result		Intended result		Unexpected result		Unexpected result		Unexpected result	
	<p>Chris</p> <p>Basic rate tax payer No change</p>		<p>Victoria</p> <p>Higher rate tax payer Tax relief almost halved</p>		<p>Joshua</p> <p>Basic rate tax payer Moved into higher rate tax band</p>		<p>Sarah</p> <p>Basic rate tax payer Moved into higher rate tax band Child benefit clawed back</p>		<p>Ian</p> <p>Higher rate tax payer Moved into additional rate tax band Personal allowance withdrawn</p>
<p>Chris earns £15,000 income from other sources.</p> <p>Chris has two BTL properties, generating rent - net of costs before interest - of £15,000.</p> <p>Chris bought his BTL properties for £275,000, using cash and BTL loans of £200,000. The interest rate on his loans is 4.5% resulting in annual interest of £9,000.</p>		<p>Victoria earns £55,000 income from other sources.</p> <p>Victoria's property portfolio, income and finance is exactly the same as Chris.</p>		<p>Joshua earns £35,000 income from other sources.</p> <p>Joshua's property portfolio, income and finance is exactly the same as Chris and Victoria.</p>		<p>Sarah earns £40,000 income from other sources. She has two children and receives child benefit of £1,823.</p> <p>Sarah has two BTL properties, generating rent - net of costs before interest - of £20,000.</p> <p>Sarah bought her BTL properties for £360,000, using cash and BTL loans of £310,000. The interest rate on her loans is 4.5%, resulting in annual interest of £14,000.</p>		<p>Ian earns £45,000 income from other sources.</p> <p>He has a large property portfolio, generating rent - net of costs before interest - of £200,000.</p> <p>Ian's BTL properties are worth £4 million and are financed by £3.8 million of BTL loans at an interest rate of 4.75%, resulting in an annual interest bill of £180,000.</p>	
Tax on property income		Tax on property income		Tax on property income		Tax on property income		Tax on property income	
<p>Current - £1,200 Proposed - £1,200</p>		<p>Current - £2,400 Proposed - £4,200</p>		<p>Current - £1,200 Proposed - £2,723</p>		<p>Current - £1,923 Proposed - £6,546</p>		<p>Current - £8,000 Proposed - £52,990</p>	

■ Homelessness Reduction Bill

- A Private Members Bill introduced by Bob Blackman, Conservative MP for Harrow East
- Has cross party & Government support & prompted by Shelter, Crisis
- Passed Second Reading in House of Commons on Friday 28 October
- Now goes forward to Committee Stage

■ Homelessness Reduction Bill

- Changes the point at which person is classed as being threatened with homelessness from 28 to 56 days – e.g. date at which a s21 is served.
- NLA support this as it allows councils to intervene earlier.
- We oppose clauses which in effect allow councils to advise tenants to stay in property until a Court Order is obtained.
- Minister has promised to work with us & we have already met with DCLG twice on issue and we have suggested a workable amendment.

■ HMO Licensing Consultation

- The Government have [launched a consultation](#) on extending the mandatory licensing of houses in multiple occupation (HMO).
- They plan to
 - Remove the storey rule so all houses with 5 or more people from 2 or more households are in scope
 - Extend mandatory licensing to flats above and below business premises (regardless of storeys)
 - Set a minimum size of 6.52sq-m in line with existing overcrowding standard (Housing Act 1985)
- The order is proposed to come into force in 2017 (likely either April or October)

Immigration Act – Right to Rent

■ Checks

- Landlords need to carry out checks to identify whether a potential tenant has the right to reside in the UK.
- Under the Immigration Act 2016 it is an offence to knowingly let a property to an illegal immigrant.
- Are responsible for reporting those who have lost their right to rent to the Home Office.
- New criminal sanctions & a new eviction process will be rolled out in December 2016.
- Penalties can range from unlimited fines to jail sentences of up to five years.

Immigration Act – Right to Rent

■ Checks

- Under new regulations laid before Parliament Landlords no longer be immediately criminalised for failing to pick up illegal tenants.
- Those who have taken reasonable steps in an appropriate time frame to end the tenancies of illegal immigrants will be protected from prosecution.
- Draft statutory guidance for the courts in relation to the defence available to a landlord also been published.
- Regulations that bring this guidance into force, as well as a prescribed notice that must be used by a landlord in ending a tenancy agreement where occupants are disqualified from renting are to be published in the near future.

■ Reshuffle and likely impact on PRS

- New Ministerial Team at DCLG
 - Sajid Javid – Sec of State
 - Gavin Barwell – Housing Minister
- Housing White Paper in Autumn
- Will focus on planning but we anticipate a section on PRS
- Discussions in Government are on
 - Letting agents fees
 - Length of tenancy's (targeted help for lower income families) and
 - Notice periods

■ Housing & Planning Act

- The Government has recently passed the Housing and Planning Act. From 2017 it will introduce:
 - A Rogues database
 - Banning orders
 - Civil penalties
 - Extension of Rent Repayment Orders
 - A revised fit and proper person test
 - Wider availability of tenancy deposit data
 - A new abandonment process
 - New electrical safety standards in PRS

■ Thank You

I'll take your questions now.

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