# MORE LEGISLATION ON THE HORIZON?

By **Graham Kinnear**

**49% of landlords, according to a recent survey by Benham & Reeves, have been left disappointed by the recent budget. Why? Because, despite the murmurs of the retention of 19% corporation tax and perhaps even the repealing of Section 24, there were no obvious positive changes announced for those investing in residential property, save for the delay in the implementation of a quarterly digital tax return for those with rental income greater than £50,000. They will not have to start their quarterly returns before 2026 rather than the initially stated April 2023.**

But that does not mean that our sector has been forgotten about, as the government has just taken an initial step towards the introduction of a mandatory Ombudsman scheme, which private landlords would need to join.

It has published a consultation document which appears to be the precursor to finding an operator who would manage such an Ombudsman scheme. Whilst the government states that this is merely to scope the possible shape and powers of an Ombudsman, it does acknowledge that the government believes there are still issues to resolve within the private rented sector.

The aim will be to provide redress and dispute resolution to private sector tenants. Whilst I acknowledge that an Ombudsman scheme could potentially intervene in some landlord / tenant disputes and potentially remove some of the existing pressures from the Courts, compliance will presumably be an additional cost for landlords.

Landlords are understandably wary not only about the potential costs and administration of a new scheme, but also the impartiality of it. There is anecdotal evidence online suggesting many landlords believe such a scheme will be biased in the tenants' favour.

Such a view is concerning for the sector as already it is reported that one in 10 landlords are planning to exit the market or reduce their property holdings as a consequence of the lack of government incentives to remain. There are around 2.5m landlords operating in the UK with an average of two properties. On that basis, a 10% reduction could mean a further 500,000 properties potentially removed from the market. Interesting that this is the case at the same time that the Capital Gains Tax allowance is being reduced from its current £12,000 allowance down to just £3,000.

A further change, which does not appear to have received much attention, is the current proposal to amend the ability for holiday home owners to qualify for small business rate relief rather than their property being registered for council tax. From this month, operators will need to prove that their property is available for a minimum of 140 nights and was actually commercially let for at least 70 of those. The cost of living rise has led to a fall in AirBnB type bookings and as such, this change alone may push many operators into paying a full council tax for their holiday let property. Conceivably some of these properties may go back to the standard letting model, which could be considered advantageous given the current stock shortage.

As most experienced property folk will attest, the current issues of spiralling rents are driven primarily due to the lack of available housing. Surely government policy should be adapted to encourage buy-to-let and increase the size of the sector to meet demand? This would have the effect of increasing choice for tenants, regulating prices and, through increased competition, higher standards.

Furthermore, I believe that an incentive scheme should be implemented to encourage landlords to increase the energy efficiency measures in their rented properties. Perhaps a 130% relief on any measures recommended by an EPC would aid the desired drive to Band C EPC scores that are seemingly the target in the short term.

Indeed, the current market would appear to be a suitable time to implement such a plan. Over recent years, house prices have edged upwards and rents have increased. That combination should have assisted the loan to value position of landlords and assisted in their ability to meet stress testing. Accordingly, there is likely some scope for landlords to invest further in their property holdings to improve them, if appropriately incentivised.

Regardless of the headwinds, I am proposing to stay in property for now at least. I love buildings and appreciate the tangibility of property as an investment medium, but I do sadly acknowledge that the continual increase in the cost of operating in this area could one day mean that such an investment medium is no longer prudent. To ensure our own longevity as landlords, we must embrace and adapt to change as it happens. As someone once said – "If it were easy, everyone would be doing it!"

**As always, I am happy to assist YPN readers and can be contacted on 01843 583000 or graham@grahamkinnear.com**