SOUTHERN LANDLORDS ASSOCIATION

LANDLORDS' ASSOCIATIONS:

SERVICE PROVIDERS OR TRADE ASSOCIATIONS?

Most landlords join landlords' associations for the benefits and information provided through newsletters, websites, emails, etc. Many landlords, once members, ask for more services to be provided, all within what is, in reality, a nominal membership fee, but is that the main objective of landlords' associations? One can understand landlords wishing to obtain best value from their membership fees but surely an efficient landlords' association is an association that not only provides services but also represents landlords locally, regionally and nationally, and to do that requires much time and, often, professional advice.

The slogan of the SLA is "Working with the best – challenging the worst". In the last 12 months your association's officers have challenged the implementation of further additional licensing in Hastings, Southampton and Brighton and Hove as well as the reintroduction of selective licensing in Thanet. The SLA alone has challenged these local authorities about what is considered unfair/unlawful implementation. Judicial reviews were threatened and legal advice sought in respect of the schemes in Hastings and Southampton, which, without being pursued by judicial review, produced some very good concessions for the landlords so affected. Had your Association not sought to challenge these local authorities, then there is no doubt that the schemes as proposed would have been implemented at very substantial additional cost to those landlords.

In the case of Brighton and Hove, there appeared to be no appetite for our Association to seek legal action, and the scheme, as proposed, has been introduced, with absolutely no benefits for landlords who are members of recognised landlords' associations.

Your Board has been discussing this situation, for it is not possible to provide a professional department without funds to support it. Many members already consider that a membership fee of between £70 and £75 is as much as they are prepared to pay. An association acting as a trade union cannot provide professional services without receiving profession subscriptions. The Board has decided therefore to have two levels of subscription, as follows:

The normal subscription of £70/£75, if paid either by standing order or cheque, will continue as an option but for those members who believe that as a trade association we must provide a professional service in order to have the facilities to challenge unreasonable regulation, both locally and nationally, it is proposed that an additional subscription of £180, making the full subscription, if paid by standing order £250 or if by cheque £255, be the option payable by those members who wish to support the professional arm. Members will be aware that all subscriptions are tax deductible.

Our membership renewal form will be amended to take account of these changes. It would be most appreciated if members would consider paying the higher subscription and support your Board in fighting unfair legislation.

WEAR AND TEAR ALLOWANCE

Members by now should be aware that the 10% wear and tear allowance will not be claimable for the tax year 2016/2017 and all future years. In these circumstances, it will be sensible to delay replacing items which would normally come within the 10% wear and tear allowance until after 6th April, when they can be claimed as renewals in the normal way.

STAMP DUTY SURCHARGE

From 6th April 2016 buy to let landlords will be required to pay a 3% stamp duty surcharge on all properties purchased, unless those properties are purchased within a company. Negotiations are taking place with the Government by the British Property Federation (BPF), proposing that any landlord who holds a minimum of 15 rental properties should be exempt from the 3% surcharge when purchasing further properties. We do not know at present whether this concession will be allowed. We will keep members informed as the situation evolves.

BUILD TO RENT

The Government is keen to promote pension funds, etc in providing finance for the building of properties which will be available to let. The Government is also keen to promote owner-occupation and expects a number of properties in such a block to be available for purchase. Pension funds are not keen to own blocks of properties unless the block is entirely for rent and do not expect to have to sell off parts of blocks in order to meet the Government's objective of providing more affordable buy to own accommodation.

RIGHT TO RENT

Members should be aware that as from 1st February 2016 documentation must be supplied by a tenant to demonstrate that the proposed tenant has a right to live in the United Kingdom. Members need to make sure that they comply with the regulations and a list of requirements, together with relevant contact details, is available in the members' section of our website (in the Documents section, under Fact Sheets). Please ensure that you are aware of the requirements, otherwise you could be fined up to £3,000 if you accommodate an illegal immigrant.

KUMARASAMY V EDWARDS

Donations still urgently required

Members will have received a communication from our Association in respect of a case to be heard in the Supreme Court on 5th May 2016. This case, affecting landlords who own leasehold properties and let them, affects well over 50% of all lettings in this country. This is a most important case and we are seeking to obtain £18,000 in donations to help the landlord, Mr Kumarasamy, with the costs in pursuing this case.

The good news is that we have already collected over £5,000, but we still require a further £13,000 to achieve our target. If you have not donated, please consider doing so. It is a very worthy cause and our Association is the only landlords' association seeking to financially assist in this case.

Donations by cheque can be made payable to SLA (marked on the back 'Donation to Supreme Court' and your membership number) posted to:-
SOUTHERN LANDLORDS' ASSOCIATION
Riverside Centre, River Lawn Road, Tonbridge, TN9 1EP
or by BACS transfer (stating your name and membership number - and your membership number as reference) to:-
Nat West, Tonbridge Branch, 130 High Street, Tonbridge TN9 1DE
Account 55149480, sort code 60-21-28

or you can pay by card by ringing 01732 56 56 03.

Note however we get charged for this, which results in less being available for the fund

A receipt will be sent in respect of all donations.

INCOME TAX RETURNS: DECLARATION OF RENTS

Members will be interested in and possibly concerned about the requirement of HM Inspector of Taxes in the way in which rents are declared. The rental that you are due to receive on any property in any one tax year is the rental that you should declare. It should not include vacant periods but should include all rent receivable and not the actual rent received. In other words, rental due but not received should be declared and is taxable. Any rent subsequently not obtained should be declared as a bad debt and the tax paid reclaimed in the year in which the bad debt is declared. Many members currently declare on their tax return the rent actually received, not the rent actually receivable. Members should note that rent receivable is the correct way in which to declare your income on your tax return.

UNIVERSAL CREDIT

Members will be aware, if they take tenants in receipt of Local Housing Allowance, that it is, over a period of time, being replaced by Universal Credit, where the payment is made, in arrears, directly to the tenant. Brighton and Hove City Council has already introduced Universal Credit for new single person applicants, and members should be aware of this change.

In addition, members will be dismayed to know that the Government has imposed a seven day waiting period before payment is made, which in effect means that for any landlord accepting a tenant who is to receive Universal Credit, that tenant will be paid direct and the tenant will not receive any payment for the first seven days of the tenancy.

Government may think that this is a satisfactory way to house the homeless but if landlords are not careful or if they are unsuspecting it will be they who don't get the rent for the first seven days, as many such tenants do not have any financial resources at all and, even if they do, it is unlikely that they will be prepared to pay the first seven days' rent.

Members should be aware of the implications of Universal Credit as it is introduced throughout the country. Members may well consider that in such circumstances taking tenants who will be subject to the Universal Credit regulations is not a good idea and that it would be better to take tenants who can afford to pay their own rent and leave local authorities to sort out the problems being created by a system that is not user-friendly for landlords.

MIKE STIMPSON'S COLUMN

This is the first Newsletter of 2016. I would like to have commenced my column by referring to some benefits for landlords in 2016 but, unfortunately, I am unable to do so. In southern England, in particular, the demand for accommodation continues unabated and many people seeking to rent are unable to afford the costs. The same applies to purchasing properties; most are becoming unaffordable in the hotspots of London, Brighton and Hove and other favoured areas in southern England.

There appears to be a campaign for rent controls and for rents to be set at 33% of the level of a person's income, without any regard to prices of properties and their relationship to rental costs. There seems to be a belief that private landlords should be the target for the provision of social housing, whereas housing associations, with all the subsidies and benefits they receive, seem to now be building properties for sale, and when for rent, 80% of the market value is charged, which is often greater than the rents charged by landlords for similar accommodation. Local authorities, in the main, provide insignificant numbers of accommodation, when it is local authorities and housing associations that should be providing the 'affordable' (whatever that means) accommodation. This means that private landlords are now becoming the target for MPs and others to criticise the levels of rent, the quality of accommodation and, in particular, the unaffordability of it. One can only visualise the other areas where there is constant pressure, namely schools and the NHS. In the case of those organisations, it is Government funding that is blamed for their inability to provide the services required. In the case of housing, it is never the local authority or the housing associations but always private landlords.

One wonders what would happen, if private landlords decided (as many will under the new tax relief 3% surcharge stamp duty provisions) not to invest in buy to let properties. Who will pick up the shortfall? Will it be the local authorities who will provide land for building affordable housing, or housing associations directing their efforts to social housing provision and not building to sell? This should not be a matter for private landlords, who in general do a first class job. It should be a matter for Government to provide the housing needed and for us as private landlords to provide accommodation at market rents as we have done since the removal of rent control.

Whilst on the subject of rents in the private rented sector, members may not be aware that many single rooms with shared facilities of bathroom and toilet are banded at council tax Band A, which means that when a single person who is working occupies that accommodation, they have to pay 75% of the council tax at Band A. However, when the property is unoccupied (for refurbishment/re-letting) the landlord is required to pay 100% of the council tax at Band A, when legally the property can only be occupied by one person. The level of council tax required to be paid by a person living in such accommodation can represent an additional 20% on top of the rental. The same level of council tax can be paid on a small terraced house or one/two bedroom flat.

This is an example of how local authorities are dealing with the most economically poor members of society by notifying Valuation Offices of such properties let on individual agreements and having them re-banded at Band A for each individual room, thus making the accommodation more unaffordable than when it had an overall council tax band. In effect, the poorest working people in society, who can only afford such accommodation, are being forced through local authority actions into paying the highest level of council tax proportionate to the accommodation that they hold.

Finally, members may be interested to know that on 8th February at Brighton County Court I was given a possession order for non-payment of rent against two tenants who had to vacate by 21st February. However, by that date neither the tenants nor I had received the court order and upon enquiry found that it still had not been issued, which means that the bailiffs cannot be instructed until that order has been received by my tenants. With a fee of £250 now payable, one expects the court to be efficient. The service currently provided is not of the standard expected.

AROUND THE BRANCHES

Brighton and Hove branch

Your Brighton and Hove branch committee have raised (in writing) a number of points in respect of additional licensing – inability to use the waste recycling depots with commercial vehicles and other matters. Most items were raised in November 2015 and no acknowledgements or replies were received, despite reminders being sent. A request directly to Geoff Raw, the Chief Executive, under Freedom of Information, produced an immediate response from him, together with a full reply to the matters raised by your committee, which is now being analysed and will be reported in later Newsletters.

Your committee are trying to set up a meeting with the Assistant Director and Cabinet Member for Housing to discuss how we can better work together and hopefully we shall invite Anne Meadows to do a presentation on the Local Authority's relationship with private landlords. In this respect, we are informed that the Planning Department is still unfit for purpose, does not now allow consultations prior to applications being submitted and is not adhering to the eight-week Government guideline for dealing with applications. As the biggest provider of rented accommodation in Brighton and Hove, the Local Authority should understand that working with landlords, and not simply ignoring them, is the way that a local authority should conduct its business.

May deadline for Hastings discount

Landlords with properties falling within the seven Hastings wards covered by the council's selective licensing scheme have until May 25th 2016 to claim the 'Early Bird Discount'.

The standard fee is £460 per property, but the 'Early Bird' discount will reduce this to £185 per license. Members of the SLA can additionally claim a further discount, reducing the cost to £150 before May 25th, £330 thereafter.

The scheme came into force on October 26th 2015 and applies to properties in:- Braybrooke; Castle; Gensing; Ore; Old Hastings; Tressel; Central St Leornards wards.

Mike Stimpson

News Update from Gary Waller : Chairman of Brighton and Hove Branch

Our branch meeting last Monday was a huge success with almost 90 attendees. For the last 3 meetings we have outgrown the room, so we will make a real effort to find a hotel venue with a bar, if you have any ideas let me know.

Our first speaker was our very own Peter Littlewood who outlined the steps that we must all take in checking the identities of all new tenant. Peter has produced useful guidance that is on the SLA website. It is very important to keep records and agree early on if you or your letting agent is making the checks. As a landlord in Brighton tenants from overseas make up a third of my customers, and very good customer they are too, being always on time with their rent!

Our second speaker was John Handley from Handley Roberts LLP (www.handleyroberts.co.uk). After many years of building up a property portfolio how do you protect some of that hard won gain from capital gains and inheritance tax. John presented three models his 'O' level, 'A' level and PhD level approaches. Changing the structure in which you hold major assets is a complicated decision and one where you are to a large extent trying to double guess if current or future Chancellors will change the rules, however there are potentially large savings in tax to be made. Please contact John directly if you require his services.

I am delighted to welcome on board Brendon Rimmer. Brendon recently joined Sherwood Solicitors (153 Edward Street, Brighton). Brendon is an experienced landlord himself. We have been working together to update the Assured Shorthold Tenancy agreement and review the other legal documentation in the members area of the Southern Landlords Association website. The legal forms that we offer are in an almost constant state of change with new section 8 and Section 21 rules recently published. Brendon will be giving a mini legal training session at our next members meeting on the 23rd May. Please keep watching the website for details.

Don't forget that your SLA membership can get you savings on trade products, I make regular use of Johnstone's Paints (4 New England Street, Brighton). You can even park outside. John and Gary who work there are extremely helpful. Say that you are a SLA member and take in your membership card. There are big savings on everything from Magnolia emulsion to paint brushes. Just in case you use a paint colour other than Magnolia, they have a camera type device that can analyse the colour of a sample and match it, they can then mix that colour.

I have rented my student properties for the coming academic year. Once again I have made use of studentpad.co.uk to advertise direct to students. The housing offices of both Brighton and Sussex Universities both support studentpad. You contact the relevant housing office, get a login for studentpad and then upload your details, this includes photos of the property, description, rent etc. You then need to either take in the certificates to the housing offices or upload the certificates for GasSAFE checks, Electrical checks, council licensing (if applicable), EPC details etc. Although a little time consuming to initially set up, once you have written the advert for one year you can use for future years. To be able to see your house adverts student have to have a valid Brighton or Sussex University email address. So at least you can guarantee that genuine students are seeing your advert and for overseas student you at least know they are bona fide students with a right to study in the UK. Special thanks have to go to Mark Woolford, housing manager and his team at Sussex University Housing office, who are always very helpful.

I have now appeared on BBC Radio Sussex 4 times and been interviewed by the Evening Argus newspaper, all around the same subject, the high cost of rents in Brighton and Hove and the poor quality of that housing. The high costs of rents is obviously largely a result of the demand for housing in Brighton and Hove, large student population, people moving from London and indeed commuting to London, great place to live etc. For new landlords to make a return, high rents often have to be charged.

What we need to be aware of are a number of public campaigns and less than positive public feeling towards landlords. There are very few well paid jobs in the local area and many tenants are struggling to pay the rent and live. My view is that with the current Brighton and Hove council administration this will lead to further licensing, extended article 4 controls and possibly even fair rent controls. As landlords we need to ensure that our customers receive good value for money, that homes are free of damp, there is heating and that repairs are attended to quickly. Managing a portfolio of property can be frustrating, expensive and hard work, but we must ensure that our customers receive the service they are paying for, the alternative will be more expensive legislation.

ENGLISH HOUSING SURVEY PUBLISHED

The latest English Housing Surveys (EHS) headline figures for 2014-15 have just been published. The survey is an annual randomised sample of English housing conditions and occupants views, it is Government funded and provides the most reliable snap shot of the state of English housing. The rent figures vary significantly from those frequently published in the press and this is often due to press figures only reporting on new lets whereas the EHS take into account both new and existing.

- There has been no increase in the size since the previous year in the size of private rented sector and it remains at 19%, or 4.3 million households, of all housing. Social housing has also remained stable at 17%, or 3.9 million households
- Over the last 10 years, the proportion of households in the private rented sector with dependent children increased from 30% in 2004-05 to 37% in 2014-15. With considerable growth in the overall number of private renters over this period, this seven percentage point increase equates to about 912,000 more households with children in the private rented sector
- In 2014-15, 57% of private renters and 24% of social renters stated that they expected to buy a property at some point in the future. Between 2013-14 and 2014-15, there was a decline in the proportion of private renters who expected to buy (from 61% to 57
- For social renters, average rents increased between 2013-14 and 2014- 15, from £94 to £99.
- Average private rents were unchanged
- While private rents did not increase between 2013-14 and 2014-15 at the national level, in London there was a £17 per week increase, from an average of £281 per week to £298 per week

LANDLORDS BEWARE! REVOLUTIONARY NEW TREATMENT OF INTEREST COSTS WILL HURT MOST LEVERAGED PORTFOLIOS STARTING 2017/18.

Landlords with mortgage finance and who trade in their own name or through a partnership must take the time to understand the impact of rules that will start to take effect in 2017/18 that affect the deductibility of finance costs against taxable rental income. Those likely to be affected should speak with their accountant or tax adviser at an early stage, both to understand the likely impact on their business, and to determine whether they need to take any action to mitigate the effects of these measures.

Perhaps the most revolutionary change to property taxation in recent years is that announced in the Chancellor's 2015 Autumn Statement which affects the deductibility of finance costs in connection with residential property businesses. These new provisions only affect individuals (including partnerships), but not companies, at least for the time being.

As a general rule, interest paid by an individual in relation to property may be deductible provided that it is wholly and exclusively used for a property business. Prior to the changes, a landlord may deduct interest and other allowable costs against rental income in order to determine their taxable profits.

Under the new rules, being phased in through tax years 2017/18 to 2020/21, the costs of a dwelling related loan will be disallowed, and the tax charge calculated. A tax credit will then be deducted from the landlord's tax bill, but this is limited to the basic rate of tax as applied to the loan interest payments.

This is a very important change, as it will have a significant effect on individual landlords with mortgage finance. Among the most serious consequences are:

- Marginal rate of tax. Some landlords who currently pay tax at the basic rate (currently 20%) may be pushed into the higher rate (40%). Others may even find themselves liable for tax at the additional rate (45%).
- Cashflow and viability. Some heavily financed portfolios will become cashflow negative once the rules are fully phased in. For example, a 40% taxpayer owning a £200,000 property with a 4% yield on a 75% loan at 5% interest would in 2020/21 would pay a net tax bill of £1,700 yet have a cash profit of only £500 (ignoring other income and costs). Some portfolios may cease to be viable; even becoming potentially ruinous.
- Complexity. The Institute of Chartered Accountants in England & Wales (ICAEW) have commented extensively on the changes, referring to them as "extremely complex", that it will make it "exceptionally difficult … to self-assess", and that the measures are not fair and reasonable".

The Chancellor has explained the reason for the introduction of these changes as being necessary to put buy-to-let landlords on the same footing as owner occupiers. As one commentator has said, this explanation does not merit a moment's serious consideration. It seems that the real reason is the Bank of England's concern about the ability of heavily mortgaged buy-to-let landlords to withstand interest rate rises, and by forcing landlords with leveraged portfolios to sell, the banks with exposure to buy-to-let loans will enjoy a reduction in risk.

This brief article is not the place to go into the detail of the provisions. However, landlords must be aware that these changes are being phased in over four tax years, ratcheting up by 25% each year, such that they are fully operational in tax year 2020/21. Landlords should be talking to their accountants or tax advisers so that they can decide whether they need to restructure their portfolio. Given that these provisions do not (currently) affect property businesses owned by limited companies, it may be possible for a landlord to agree with their mortgagee to transfer the property subject to mortgage. However, this will not be without cost, and it is possible that the lender will seek to renegotiate terms. For some portfolio landlords, the only realistic option will be to divest some of their stock - perhaps triggering a capital gain - and pay down debt on the properties they retain, as the alternative will be to hold a property portfolio which gives rise to a real terms cash cost.

The measures are being judicially reviewed, but this should be regarded as unlikely to overturn the forthcoming changes.

AIRBNB - A WAY TO INCREASE YOUR RENTAL INCOME

Many of you will be aware of the amazing growth of the sharing economy offered by companies such as Airbnband Uber. Airbnb is of particular interest to the landlord community and those with holiday lets. The company has grown rapidly from offering its first guests accommodation on an airbed in the founders' San Francisco apartment in 2008, to become a global phenomenon with over two million listings in more than 34,000 cities and 190 countries.

We got into renting using Airbnb after one of our properties was sublet (again) and I discovered the tenant was renting the flat out to holiday makers and business people via Airbnb. We studied his business model and occupancy rates and, as it looked more profitable than our single let model, have rented some of our properties using the Airbnb model for the last two years.

Why Would I want to do This?

By changing from our traditional single let model to a serviced apartment/holiday let model we have doubled our rental income from (£22,000 to £45,000 on one property), increasing our profits by over 50% on these properties. Little did we know that the Chancellor would pull the 10% wear and tear allowance but it was certainly a welcome tax deduction on our new income. The additional income allowed us to refurbish the properties to a higher standard during low season, giving us properties which have been updated with LED lighting and double glazing to ensure lower energy costs in the future.

As the majority of bookings are less than a month it is unlikely that the stay property will be a main residence and will be exempt from the Right to Rent requirements. By providing services, your guests occupy the property under licence, rather than an AST.

How Do I Get Started?

To get your property listed you will need to set up an account for yourself and complete verification as a host. Once this is done, you can set up a profile for each property you wish to list.

The site is well arranged and walks hosts through the various key elements, which include a description of the property, details of the amenities available to guests, photos, directions to get there, pricing, house rules and a calendar to allow you to track your bookings or block out any dates the property may not be available.

Once your property is live you can be notified of enquires by text, email and your account inbox, depending on the methods selected. When you accept a booking your calendar will be updated and can be synchronised with any other calendar, such as Outlook. The system will generate an itinerary, invoice and confirmation and payment is made by the method you have chosen once the guest checks in.

On UK properties, Airbnb charge a fee of about 3% for hosts and 7% for guests.

What do I need to Prepare My Property?

I am assuming that your property already has the required smoke alarm, carbon monoxide alarm, gas safety certificate and electrical safety certificate.

At the basic level you will need to provide bedding, bed linen and towels so stock up on two sets of everything. Your guests are looking for a home from home or at least somewhere that they can use as a substitute for a hotel room. Make sure everything is cleaned to a good standard and provide the basics (microwave, pans, crockery and cutlery) if there is a kitchen. To avoid early evening calls I suggest you also provide copies of the relevant pages for appliances such as ovens, hobs and washing machines as we find guests from certain countries, such as the US, struggle to operate European appliances.

To improve the appeal you may wish to include television, wifi, spare blankets, a folding cot and a selection of toys for infants and children.

We go a step further and provide a house manual listing local restaurants, shops and travel information together with walking maps and a tourist map.

This Sounds Great but I've Read Horror Stories in the Media

It's true there have been the occasional horror stories; in fact the host we who we got into the business through was one of those hosts. He accepted a last minute booking from a young guest without asking details about their trip or checking to see if they had been reviewed. The guy arrived that evening and held a party which got out of hand resulting in the police being called and Airbnb picking up the tab for the damage caused to the property. Much as hosts' properties are reviewed by their guests, Airbnb guests are reviewed by their hosts. Like regular tenant referencing, it is advisable to ask more questions if your prospective guest has not provided much information and reject those which you don't feel happy with. You can also specify a damage deposit to cover incidental damages - one guest managed to burn a shelf by putting hot curling tongs on it but let us know and we were able to recover the costs.

Things to be Aware of:

There are set up costs in presenting a property fully furnished with bedding, linen, towels, etc as well as the time and costs involved in taking bookings, preparing for guests (cleaning), and checking them in. If you do not want to spend too much time meeting guests and preparing the property for the next guest you can set a minimum number of nights or a specific check-in day as well as check in and checkout times. Alternatively, there are a number of enterprising people who have set up business to allow you to outsource various elements of the process for cleaning, through to a complete outsource.

The growth of any successful business model will attract competitors and the attention of the authorities. By offering your property on a short term basis you are effectively changing the use under the planning designation. There is a 90 day exemption for temporary change of use but you may want to check with your professional advisors if you plan to use this model on a long term basis.

Need Help Getting Started?

If you would like help to list your property on Airbnb, are too busy to set it up, or just want someone to help step you through the process and provide support, I am available on a consultancy basis. I can advise on whether your property is suitable for listing and propose other solutions to help increase your income.

Call me on 0771 5050 444 or email rod.townson@yahoo.com. Rodney Townson
Host of the SLA London Social (first Tuesday of the month - see SLA website for details)

LANDLORD INSURANCE AND RENT DEFAULTERS: WHAT YOU SHOULD KNOW

Your landlord insurance package will cover you against the common risks of managing a buy-to-let property; however, as a landlord one of the biggest risks, is your tenants defaulting on their rent. Steve Cox, Property Insurance expert from Insurance Brokers, Alan Boswell Group, discusses the effects of non-payment, what 'loss of rent' actually covers and what landlords can do to protect themselves.

Whether they fall into arrears accidentally or they deliberately default, a tenant not paying rent instantly wipes out your income on a property and with each month that passes the situation grows worse. This can then have a knock-on effect on your mortgage payments. Of course, non-payment of rent is grounds for you to demand that they quit the property but this will take time. Once they have gone a new tenant has to be found and that creates a further delay. By the time you've gone through this lengthy and unpleasant process a substantial amount of financial damage has already been done.

Loss of rent vs rent protection

Some insurance policies will include 'loss of rent,' but landlords are often surprised that this doesn't actually cover you for simple non-payment by a tenant. Instead, it's designed for reimbursing lost rent during a period when a property is uninhabitable, for instance due to fire, flood or vandalism. To protect against loss when tenants go into arrears, you will need specialist rent guarantee protection. This ensures a landlord is paid if the tenant(s) default. If the tenant is having temporary problems meeting their rent that can be resolved in the short term, insurance cover provides the landlord with the option of opening a dialogue to resolve the difficulty. This is always preferable than having to immediately press for eviction. Even in the case where eviction is necessary, at least landlords are financially protected throughout that period.

Meeting the requirements for rent protection insurance

Guaranteed rent protection needn't be expensive and can be bought as an add-on to your standard landlord insurance or as a separate policy. At Alan Boswell Group we ensure that you meet all the requirements for this policy and will help you choose the most appropriate insurance cover for your needs.

Requirements generally include having an Assured Shorthold Tenancy Agreement in place and carrying out credit and reference checks on a potential tenant. The landlord will also need to take a deposit and keep it protected and must inform insurers immediately if the tenant defaults. Bear in mind that the rent is only payable whilst the tenant is still occupying the property (i.e. no cover if they simply leave) and is payable for up to a maximum of 12 months.

Need advice?

Alan Boswell Group are one of the UK's leading sources of Landlords Insurance and offer a comprehensive tenant referencing service. If you'd like a free, no-obligation online quote for your landlords' insurance contact Steve Cox on 01603 218031, scox@alanboswell.com or visit alanboswell.com/landlords

Alan Boswell Insurance Brokers Ltd is authorised and regulated by the Financial Conduct Authority

CHANGES TO THE TAXATION OF PROPERTY INCOME

In the Summer Budget of July 2015, George Osborne announced several changes that will have potentially huge implications for taxpayers, including some that will affect the taxation of income derived from rental properties and others that will have implications for passing on the family home. The Summer Budget really was a mixed bag when it comes to taxation in respect of properties, with implications for those owning property either as a landlord or as their residence.

Landlords

Whilst media attention has focused on the restriction of tax relief available on finance costs, such as mortgage interest, Mr Osborne also announced that the wear and tear allowance will be removed. The good news is that rent a room relief will finally be increased following years of stagnation. These changes will affect many landlords and, as a landlord, it is important that you keep up to date with the changes in order to put yourself in the best position for tax planning opportunities. An outline of the changes that will affect landlords and the implications are detailed below:

Restriction of tax relief on finance costs

At present, individuals are able to claim 100% tax relief on interest incurred on loans used in a property business against rent received. However, from April 2017 the amount of tax relief will be restricted. The finance charges (such as loan/mortgage interest, mortgage product fees etc.) that individual property landlords and unincorporated businesses will be able to claim will be restricted to the basic rate of tax at 20% on all residential property lets, except those which qualify as Furnished Holiday Lets.

The restriction will be phased in gradually over 4 years. However, once the changes are fully implemented in 2020/21, no deduction will be allowed in the rental accounts for any finance interest or product fees when calculating the net rental profit or loss. Instead, any tax liability will be calculated on your total income, including the increased rental profits (due to the disallowance of the finance costs) and landlords will be given a tax reduction equal to 20% of the lower of:

1. The finance costs that would previously have been allowable, such as the interest charges and product fees; or,
2. The net rental profit for the year after taking into account any losses brought forward.

At this stage, the draft legislation appears to allow for the net rental profit for the whole business to be taken into account including that for properties which do not have any finance attached to them. Additionally, it would seem that you will be able to carry forward any amounts that you are not able to claim tax relief on to future years, so you may potentially be able to claim tax relief on them at a later date. These provisions may change as the legislation progresses through Parliament.

As mentioned above, these changes are being phased in gradually and for 2017/18, 75% of the finance costs will be allowable in the rental accounts, for 2018/19, 50% of the finance costs will be allowable, and for 2019/20, 25% of the finance costs will be allowable. The amounts disallowed will be subject to the new rules and relief will be obtained via a tax reduction.

Those landlords with little in the way of borrowings will not feel much of an impact from these changes however those with substantial borrowings may wish to reassess their position as these changes could affect them considerably.

Tax tip: The restriction does not apply to companies, who will continue to be able to claim tax relief on 100% of the finance charges they incur. A knee-jerk reaction may be to consider placing residential properties within companies however, there are other tax aspects to consider before rushing to incorporate. These include capital gains tax and stamp duty land tax on initially transferring existing property into the company, additional accountancy fees, a potential double layer of tax with the company suffering tax on profits then the individual suffering tax on withdrawing the funds from the company, not to mention the upcoming changes in the dividend tax rules making it more tricky to extract funds in a tax efficient manner. Whether or not incorporation is the answer will very much depend on individual circumstances and therefore if you are considering incorporating, please get in touch with us first to discuss how this will affect you.

Article contributed by DSH, Chartered Accountants & Business Advisors

FEWER LANDLORDS IN THE FUTURE?

Around one in four UK adults who were considering a Buy To Let property investment have been put off by the Government's plan to introduce a 3% additional stamp duty and cut tax relief on their finance costs.

Research from online investment platform rplan.co.uk has discovered that 9% of UK adults have given up on aspirations to own a BTL property because of the government's plan while 30% of UK adults are still considering whether to do so. Around one in seven (14%) existing landlords say they will now sell one or more of their properties because of the new rules.

Those planning to invest in BTL were going to use savings and investments worth an average of £43,592 to buy a property. Instead, 39% of these adults will use the money to save in a cash account, 30% will invest in an ISA, 20% will put it into their pension and 13% will put it in other stock market investments.

Stuart Dyer, rplan.co.uk's CIO, said: "The British have strong faith in property as an investment and many see it as a means of providing a pension income. But the government clearly has a policy to dis-incentivise BTL and the sharp increase in landlord mortgages revealed by the Bank of England credit survey will probably be a last rush before the gate slams shut.

Having a BTL property can also mean an over-exposure to one asset class for many investors, who should

REDBRIDGE REFUSED PERMISSION FOR SELECTIVE LANDLORD LICENSING SCHEME.

In a landmark decision announced at the end of the year, the government refused permission for Redbridge Council to implement borough wide selective licensing.

Redbridge Council's Cabinet approved plans in June for additional and selective licensing covering all private rented homes in the borough.

In order to bring in selective licensing, the council had argued that there were significant and persistent problems with anti-social behaviour associated with private rented homes and that some landlords were failing to address the issue. This was to be a borough wide scheme, like the one run in Newham.

But following a change in the law in April 2015, Redbridge Council found they were unable to implement the selective licensing scheme without getting government approval. The council submitted a case to the government giving all the reasons they thought the scheme should be approved. But the Secretary of State (Greg Clarke) disagreed and did not think that the link between anti social behaviour and private rented homes had been demonstrated throughout the borough. The whole scheme was therefore rejected.

This is a landmark decision that will be viewed with interest and will impact on local authorities up and down the country.

With Redbridge believed to be the first local authority to seek government approval, other councils may be reluctant to follow in their footsteps and seek consent for larger schemes. Instead, selective licensing may in future be used as a more targeted measure covering small areas, as the government intended.

Despite the government's rejection of the selective licensing scheme, Redbridge Council announced they will proceed with plans for a borough wide additional licensing covering an estimated 6,000 to 10,000 houses in multiple occupation (HMOs).

This second scheme, which was also approved by Redbridge Council's Cabinet in June 2015, would extend licensing to all HMOs occupied by three or more people. Unlike selective licensing, a borough wide additional licensing scheme does not need government approval and the scheme could be in place by summer 2016.

With the government unconvinced by the evidence base for borough wide selective licensing, a legal challenge against borough wide additional licensing could still materialise when Redbridge Council formally designate the new scheme.

Commenting on the decision, Richard Tacagni, Managing Director at London Property Licensing said:

"In rejecting Redbridge Council's application for borough wide selective licensing, the government have sent out a strong message that they want to see councils adopt a more targeted approach to property licensing. "Looking forwards, I think we will see plans to license all private rented accommodation replaced by proposals for much smaller 'selective' licensing schemes. When used as part of a package of measures to rejuvenate problem areas, selective licensing can be a very useful tool."

IN THE NOVEMBER ISSUE OF THE SLA NEWSLETTER WE TOLD YOU THAT MUST ISSUE THE DCLG BOOKLET 'HOW TO RENT - THE CHECKLIST FOR RENTING IN ENGLAND.

Following the new Immigration Rules brought in February, please note that there is now a new version of this booklet. Whilst you have to ensure you use the new version from February 1st, it doesn't have to be re-issued on any AST's issued before.

Please find on the following page a useful checklist for all landlords to tear out and use (the reverse side has been left intentionally blank).

Further copies can be found in the Documents area of the members section. If you can't remember your password just enter your membership number on the Home page; leave the password blank; press enter and a new password will be sent to your nominated email address.

As with all our documents, please let us know if you find an error; can think of an improvement, or even a new form.

Flats for Sale Southampton

- 2 x 1-bedroomed flats on first and second floor in SO14 1PF
- Walking distance to city centre, transport, doctors, Southampton Solent University
- Fully double-glazed; electric certificate; CO alarms and CP12 certificate;
- New emergency lighting and smoke alarms in stairwell (June 2015)
- Gas heating and water
- One flat is currently empty, the other has tenants who will be moving out
- All necessary documentation available; Freehold 85 years
- £100,000 each; estimated 7% return

Contact: Nancey Copley
01425 672791

Southern Landlords' Association

Landlord checklist:-

Matter	**Checked**
Prior to offering an agreement	
Mandatory matters:-	
Right to Rent Immigration Checks:-	
seen appropriate documents BEFORE offer to ALL occupants	
all documents copied, in front of occupier (keep for tenancy + 1 year)	
check again if required	
All consents to let agreed *(leasehold; mortgage)*	
If required – valid EPC available *(not required for HMO)*	
All fire regulations met:	
If required – appropriate property licensed applied for *(Mandatory; Additional; Selective)*	
If required – valid electrical safety certificate available *(strongly recommended)*	
Any furniture meets 1988 fire regulations	
Strongly recommended:-	
Property in good maintenance and decorative order *(ensure no cat 1 HHSRS faults)*	
All tenants vetted and credit checked *(especially student tenants - consider Guarantor, and/or rent protection insurance)*	
Appropriate landlord insurance in place	
If using an agent – ensure agent has full money protection in place *(member of ARLA; NAEA; RICs; NALS)*	
When signing agreement :-	
Mandatory matters:-	
Valid Gas Safety Inspection Record available *(CP12)*	
Smoke and CO alarms fitted	
All plugs and sockets checked visually	
All electrical equipment fit for purpose *(PAT test could be used)*	
Have duty of care to ensure no risk of Legionnaires Disease	
If taken - deposit properly dealt with *(lodged in time; ALL interested parties served Prescribed Information)*	
Agreement signed, and witnessed *(include photo's; suggest initial every page)*	
Have issued the '*How to Rent*' booklet – can be emailed with tenants permission	
Strongly recommended:-	
Full inventory carried out, including all keys and all meters *(suggest initial every page)*	
If Deposit not taken agreement appropriately marked	
During let :-	
Mandatory matters:-	
Don't enter property without permission	
Deal with any repairs in an appropriate time *(Section 11 of the 1985 Housing Act)*	
If required – follow up Right to Remain check *(Check; copy. Advise Home Office if checks failed)*	
Renew Gas Safety Inspection annually	
Strongly recommended:-	
Ensure rent received on time	
Inspect property regularly *(ensure permission obtained)*	
End of let :-	
Mandatory matters:-	
Ensure agreement ended legally:-	
Keep proof if tenant has finished the let voluntarily	
If landlord requesting termination of the let – ensure Notice to Quit served correctly	
If taken – deal with deposit correctly :	
Strongly recommended:-	
If taken – check inventory	
Change locks	

This checklist is intended as a guide only, and the SLA can assume no legal responsibility for its use.

MEETINGS/EXHIBITIONS FOR NEXT QUARTER

Social meetings:<u>Social meetings</u>

The regular London and Thanet socials will be:-

- London, the first Monday of every month commencing February. To be held upstairs at the Constitution - 42 Churton Street, SW1V 2LP. 020 7834 3651. Commencing 6.30 pm

- Thanet, the first Thursday of every month commencing February. To be held in the newly refurbished, and renamed Botany Bay Hotel (formerly the Fayreness), Marine Drive, Kingsgate, Broadstairs, Kent CT10 3LG. 01843 868 641. Commencing 7.00 pm If using Sat Nav put CT10 3LH.

The Brighton & Hove meetings are held at The English Language Centre, 33 Palmeira Mansions, Salisbury Road, (Corner of Salisbury Road and Church Road), Hove, BN3 2GB;

The Southampton meetings are at Highfield House Hotel, Highfield Lane (corner of Shaftesbury Avenue), Portswood, Southampton, SO17 1AQ

<u>Meetings/exhibitions for 2016.</u>

Make a note in your diary, details on the web:-

- Monday March 14th - Southampton branch meeting
- Wednesday March 16th - Landlord Investment Show; Brighton
- Monday April 4th - London Social
- Thurs April 7th - Thanet Social
- Wednesday March 16th - Landlord Investment Show; Croydon
- Fri/Sat April 15/16th – Property Investor & Homebuyer Show; Excel
- Wednesday April 27th - Landlord Investment Show; Dartford
- Thurs May 5th - Thanet Social
- Monday May 9th - London Social
- Tuesday November 12th - Landlord Investment Show; Maidenhead
- Monday May 23rd – Brighton & Hove branch meeting
- Wednesday May 25th - Landlord Investment Show; Stevenage
- Thursday June 2nd - Thanet Social
- Monday June 6th - London Social
-

Tuesday June 21st - Landlord Investment Show; Olympia

- Sat/Sun June 25/26th – Homebuyer & Renovating Show – Sandown Park
- Monday July 4th - London Social
- Thurs July 7th - Thanet Social
- Monday August 1st - London Social
- Thurs August 4th - Thanet Social
- Thurs September 1st - Thanet Social
- Monday September 5th - London Social
- Wed/Thurs Sept 7/8th – Landlord & Letting Show – The Barbican, London
- Thurs Sept 15th – Brighton & Hove Social meeting – The Neville
- Fri/Sat/Sun Sept 23/24/25th –Home Building & Renovating Show, Excel London
- Monday September 26th - Southampton branch meeting
- Monday October 3rd - London Social
- Thurs October 6th - Thanet Social
- Fri/Sat Oct 7/8th – Property Investor & Homebuyer Show, Excel London
- Thurs November 3rd - Thanet Social
- Monday November 7th - London Social
- Tuesday November 8th - Landlord Investment Show; Olympia
- Monday November 28th - Southampton branch meeting
- Thurs December 1st - Thanet Social
- Monday December 5th - London Social

MEMBERS ADVERT

FOR SALE

2 bedroom flat overlooking small marina. Has free use of swimming pool. Perfect rental property. Excellent condition. Has garage and freehold. Shoreham Beach, West Sussex. £269,000. Phone Fred on 07831 493607.

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0845 475 2383 (Private Health Insurance)
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