

THE NEW LANDLORD TAX

And why an additional clause is urgently required.

It is unlikely that the Government will change their mind over the implementation of this tax. What needs to be added to this tax is a clause that it is applicable only to properties that have three bedrooms or less, are also described on an individual Land Registry Title, and are also in tax band F or lower.

The Government has said the purpose of the new "Landlord Tax" is to reduce the tax incentive from the "BTL" market and thus make it fairer for first-time borrowers to compete with Landlords. The intention might be laudable, but this new tax is too broadly sweeping, ill conceived and will badly affect the entire rental market, in ways the Government and tenants do not want and therefore isn't fit for purpose.

When a first time buyer purchases a house or an apartment it is with a mortgage and requires a unique Land Registry Title exclusive to that dwelling, also, generally, it has a maximum of three bedrooms, and is a lower than F tax banding, therefore this new tax should only apply to properties that fit that description.

That is: ***That Mortgage Tax Relief is limited to the basic rate on a property that is three bedrooms or less, on an individual Land Registry Title and lower than band F tax banding.***

It should not apply to properties that are not, and never will be, available to first-time buyers. How can you justify a tax that's intention is to make a level playing field for first-time buyers to purchase first-time buyer type homes, when it also applies to large licensed HMO's with a single LR Titles, or a redundant hotel converted to flats for rent, on a single LR Title, or a block of houses or apartments built on a brown field site that are still for rent, on a single LR Title. Many properties are constructed or converted and managed exclusively for the rental market.

The reason this tax is fundamentally wrong is that the UK needs professional working Landlords to convert redundant buildings into rental homes, be they bedsits or apartments, or to build new rental homes on brown field sites and to professionally maintain and manage these single LR Titled multiple home properties. They are specifically designed for the needs of the UK rental market.

HMRC try and encourage this by giving 100% VAT refunds on the build cost of new homes for renting? Surely this "for renting" status should also apply to the mortgage on them? Unlike any other business Landlords can't rollover the gains on one venture to buy another, they are restricted in selling by having to pay Capital Gains tax, each time. A landlords Portfolio is also the subject of death duties.

If a Landlord with a much needed HMO has a £250K mortgage, leaving a gross income of £150K, today he pays £50K in tax. Net income is £100K at cumulative tax rate of 31%. Under the new Landlord Tax law he will pay £92K tax. Net income is £58K at cumulative tax rate of 61%

How can it be right that a Professional Footballer such as Wayne Rooney earning £13m per year, or those in the Times rich 100 list pay tax at a maximum of 45% and yet a small landlord providing cost effective homes with a £150K gross income can be taxed over 60%?

If all the accommodation owned and provided by UK landlords were made available to purchase, from hostels, HMO's, bedsits, studios, flats to million pound detached houses, only a relatively small proportion are potentially mortgageable to a first-time buyer. The biggest proportion of UK rental accommodation is, by their layout, for "Landlords only" type properties that can't simply be broken up and sold off as individual units to first-time buyers.

If this law is implemented as proposed, the professional Developer come Landlord will have the rewards for converting, renovating and running rental homes penalised in an exclusive new very high tax bracket. This will cause a seismic shift in the focus

of money, time and enterprise away from the rental sector. Buildings will remain unrenovated, brown field sites will be left undeveloped, HMO low cost housing and blocks of flats will fall into disrepair or disappear completely, as this endeavour is taxed out of existence.

If the government is set on this tax to make first-time buyer homes less attractive to Landlords, then it should exclusively target these types of properties.

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