



## Landlord Newsletter 6/24



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*Welcome to our Landlord Newsletter covering industry updates and insight.*

## Furnished Holiday Lettings: Reaction

In Budget 2024, which took place on 6 April, the Chancellor announced that the concept of Furnished Holiday Lettings (FHLs) will be abolished from 6 April 2025. This means that the tax reliefs available to those operating FHLs will no longer be available.

Now that the dust has settled, let's consider some of the wider implications of the announcement.

We still do not know any of the details relating to the announcement. Some expected draft legislation to be published on 'Tax Administration and Maintenance Day' (18 April) but nothing was forthcoming. Some commentators have surmised that the measure was 'last

minute' and that it will be a while before detailed legislation can be published.

Further detail cannot come soon enough, however. In order for accountants and agents to effectively advise their clients, they need to know about the Treasury's plans in good time. The one thing that is certain is that 6 April saw the start of a period of concern and uncertainty for those with FHLs.



## Furnished Holiday Lettings - under threat?

The measure was announced as a means of making more affordable homes available. The increase in FHLs has resulted in fewer homes available for residents, particularly in tourist hotspots. According to BBC research, the number of holiday lets rose by 40% between 2018 and 2021, with tourist areas seeing the sharpest increases.



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Housing and poverty campaigners, however, have said that the measure is “too little, too late”.

Those in the Tourism sector are concerned that the decrease in supply of holiday lets will have a knock-on impact for businesses and workers who rely on tourism.

Meanwhile, property experts are not sure if the measures will substantially increase the number of long-term lets. Whilst the rate of CGT has been cut, the Annual Exemption has decreased to just £3,000 for 2024/25. Property experts predict that selling prices for FHLs will decline, given that new owners will no longer be able to claim tax advantages. This could result in FHL owners keeping their properties and simply not bothering to rent them out.

We will keep you informed of any developments in this area.

## Scotland: Private sector rents increase in the past year.

The Scottish Government has published its review into the housing market, which shows that private sector rents increased over the year to September 2023, with increases ranging from 1.5% in Dumfries

and Galloway, up to 22.3% in Greater Glasgow. Increases in 11 of the areas reviewed were above the average 12-month UK CPI inflation rate for the corresponding period of 9.0%.



The statistics are based predominantly on advertised rents, so they do not reflect the Cost of Living (Tenants Protection) (Scotland) Act 2022 rent cap restrictions from September 2022 to March 2024, which applied to existing tenants. The report states “Given the rate of growth in new let rents, it is likely that in the absence of a rent cap some existing tenants would also have experienced large increases in rents, depending on the rent-setting approach of individual landlords.”



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### UK Private rents and house prices: April 2024

The recent report published by the Office for National Statistics measures house price inflation and private rent inflation for new and existing tenancies.

The report notes that average UK house prices decreased by 0.2% in the 12 months to February 2024, up from a decrease of 1.3% in the 12 months to January 2024.

Average UK private rents increased by 9.2% in the 12 months to March 2024, up from 9.0% in the 12 months to February 2024.

In the 12 months to March 2024, average monthly rents increased to £1,285 (9.1%) in England, £727 (9.0%) in Wales and £947 (10.5%) in Scotland.

In the 12 months to January 2024, average rents increased by 10.1% in Northern Ireland.

### Bank of England interest rate: potential impact on mortgages

On 9 May 2024, the Bank of England announced that the interest base rate will be held at 5.25%. The governor has said that he is "optimistic that things are

moving in the right direction" but needs to "see more evidence" of falling inflation before cutting the interest rate. The next Bank of England decision on interest rates is expected on 20 June 2024. Inflation, economy growth and employment numbers are just some of the factors that affect the bank's decision. The base rate affects consumer interest rates; a higher base rate means a higher return for savers but increases the cost of borrowing. The bank has been tasked with getting inflation down to 2%. It is thought that by keeping the base rate high, borrowing will remain more expensive, which will reduce consumer spending and, in turn, inflation.



The base rate has been held at 5.25% since June 2023. Since then, mortgage rates have decreased, although an unexpected rise in inflation in January 2024 prompted some lenders to reverse some of the rate cuts.

It is thought that the recent spate of mortgage rate rises has peaked, because



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the bank also announced that the inflation rate is heading in the right direction and is predicted to fall below the 2% target in the coming months.

Forecasters are assuming that a cut to the base rate will be announced in June, which in should result in better mortgage deals.

## Construction Industry Scheme: 2024/25

HMRC's recent Agent Update 118 summarised several changes to the Construction Industry Scheme (CIS) that took effect from 6 April 2024.

The first change adds compliance with VAT filing and payment obligations to the compliance test for gaining and retaining Gross Payment Status (GPS).

In addition, the grounds in which HMRC can immediately cancel GPS in cases of fraud will be extended to include VAT, Corporation Tax Self Assessment (CTSA), Income Tax Self Assessment (ITSA) and PAYE (Pay As You Earn). If HMRC has grounds to suspect that the GPS holder has fraudulently provided an incorrect return or incorrect information in relation to any of these taxes, GPS can be immediately removed.

Secondly, where certain conditions are met, landlord to tenant payments for construction work will be outside the scope of CIS.



Finally, from 6 April, subcontractors are no longer able to register for the CIS or apply for GPS over the telephone, unless they are digitally excluded (i.e. they are unable to use computers due to disability, old age or religious reasons). A new digital form for subcontractor registration and GPS applications will be introduced. Supporting evidence can be uploaded and there will be the ability to save and return to applications. Agent Update 118 can be viewed here.

## General election on 4 July 2024: What does this mean for property landlords?

The Prime Minister, Rishi Sunak has called a general election for 4 July 2024. It is worth considering what the general election means for those who rent out property.



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The biggest implications will be for those who own furnished holiday lets (FHLs). In the March Spring Budget, the Chancellor announced that the FHL regime will be abolished from 6 April 2025. To date, no further details have been provided. In the short-term, it is likely that we will not see any further detail from HMRC before 4 July, because the announcement of the general election has triggered a six-week 'period of sensitivity' (previously known as 'purdah'), during which government departments must refrain from making any politically sensitive announcements.

The other, and possibly the most crucial, question concerns whether a Labour government would proceed with the plans to abolish the FHL regime. To date, Labour have not commented on the plans, so we cannot be certain, but as the abolition was originally suggested in a report by the now defunct Office of Tax Simplification, it is likely that a Labour Government would also look to abolish the FHL regime.

## The Housing (Scotland) Bill

Consultation on the Housing (Scotland) Bill was published in March and closed on 17 May 2024.

The proposed legislation, the explanatory notes for which can be viewed here, provides for the following:

- The requirement for local authorities to review local rental conditions at least every 5 years. The Scottish Government will have the power to designate rent control areas based on the local authorities' recommendations.
- Limits to the frequency of in-tenancy rent increases and controls on rent increases in between tenancies.
- New rights for tenants to make certain changes to the property and keep pets.
- The requirement for local authorities and social housing groups to take actions to tackle homelessness.

The main aim of the bill is to keep people in their homes and prevent homelessness.

*If you would like to speak to us and find out how we can help you with any property-related issues, please contact Steven Sim on 0131 226 2233 or email [ssim@thomsoncooper.com](mailto:ssim@thomsoncooper.com).*

*The newsletter is part of our online [Property and Landlord Hub](#) which also features factsheets and property-related articles.*