

MCPHERSONS PROPERTY TAX E-NEWS – December 2023

Welcome to our monthly newsletter for property landlords. We hope you find this informative and please contact us to discuss any matters further.

The King's Speech: Rent reforms and leasehold changes

In his first King's Speech on 7 November, King Charles III spoke about the forthcoming Leasehold and Freehold Bill that will apply in England and Wales.

The speech included the following:

"My Ministers will bring forward a bill to reform the housing market by making it cheaper and easier for leaseholders to purchase their freehold and tackling the exploitation of millions of homeowners through punitive service charges."

The Background Briefing to the speech gives more information about the proposed bill, which is intended to address one of the longest-term challenges that the country faces: fairness in the housing market. It will do this by:

- Making it cheaper and easier for existing leaseholders in houses and flats to extend their lease or buy their freehold;
- Increasing the standard lease extension term from 90 years to 990 years for both

houses and flats, with ground rent reduced to £0;

- Removing the requirement for a new leaseholder to have owned their house or flat for two years before they can benefit from these changes;
- Increasing the 25 per cent 'non-residential' limit preventing leaseholders in buildings with a mixture of homes and other uses such as shops and offices, from buying their freehold or taking over management of their buildings;
- Requiring transparency over leaseholders' service charges;
- Replacing buildings insurance commissions for managing agents, landlords and freeholders with transparent administration fees;
- Requiring more freeholders to belong to a redress scheme so leaseholders can challenge them if needed;
- Scrapping the presumption for leaseholders to pay their freeholders' legal costs when challenging poor practice;
- Granting freehold homeowners on private and mixed tenure estates the same rights of redress as leaseholders; and
- Banning the creation of new leasehold houses.

The legislation will be designed to support the housing market. Government data suggests that 22% of residential property transactions in 2019 were leasehold. 49% of leaseholders are

first-time buyers and 28% of leaseholders are under 35.

Renters Reform Bill: An Update

Regarding the Renters Reform Bill, whose passage through Parliament has been considerably delayed, the King said, "Renters will benefit from stronger security of tenure and better value, while landlords will benefit from reforms to provide certainty that they can regain their properties when needed."

The bill, which will apply to England, reached the Committee stage in Parliament on 14 November, which means amendments can now be proposed, debated, and voted on.



The Background Briefing Notes to the King's Speech say that the Government's manifesto commitment to abolishing no-fault evictions will be delivered, but "We will not commence the abolition of section 21 until stronger possession grounds and a new court process is in place".

Effectively, the abolition of section 21 evictions has been delayed indefinitely, in order for it

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to “align with reform of the courts”. It is unclear what this reform will entail, although the Briefing Notes state, “We are starting work on this now, with an initial commitment of £1.2 million to begin designing a new digital system for possessions”.

Student Housing

The Government says that it will bring forward an amendment at the earliest opportunity to protect the student housing market. They recognise that the student market is largely cyclical and that landlords must be able to guarantee possession each year for a new set of tenants. They will facilitate this by introducing a new ground for possession.

EPC C Proposals for private rental properties scrapped

In a speech on 20 September, Prime Minister Rishi Sunak set out proposed changes to the Government’s green commitments. One such change was a pledge to scrap policies that require landlords to upgrade the energy efficiency of their homes.

The original policy was that from 2025, new tenancies would require the rented home to have an Energy Performance Certificate (EPC) rating of C or higher. From 2028, this would apply to existing tenancies as well.

This policy has now been scrapped, as confirmed by the notes to the King’s Speech. In the notes, landlords are told that they “can still take advantage of the many government-backed schemes available to improve energy efficiency but at a time that suits them”.

Wales: House price decline

For the first time in a decade, house prices in Wales have dropped year on year. According to the Principality Building Society’s Wales House Price Index, the average Welsh house price dropped 2.6% to £239,378 from 12 months ago.

House prices declined in 18 of Wales’ 22 local authorities, with only Conwy, Merthyr Tidfil, Monmouthshire, and Vale of Glamorgan seeing increases.

The price decline and downturn in activity is attributed to the much higher interest rates that affect the whole of the UK.



Dan Cruikshank is a Tax Associate at McPhersons. He started with the firm back in 2007 as a tax trainee. Not only has he completed thousands of tax returns, he also provides valuable tax-saving advice to McPhersons clients. He has a wealth of experience in Inheritance Tax, Capital Gains Tax and specialises in property tax and inheritance tax planning. The past few years has seen him gain additional qualifications and he is now a Chartered Tax Advisor.