

# MCPHERSONS PROPERTY TAX E-NEWS – November 2023

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

## **Expected house price falls in 2024**

Two of the UK's major lenders have recently published house price surveys.

The Halifax House Price Index for September 2023 found that average house prices for the month were 4.7% lower than prices for the same month in 2022. Commenting on the results of the survey, Kim Kinnaird, Director of Halifax Mortgages said "Against this backdrop, homeowners inevitably become more realistic about their target selling price, reflecting what has increasingly become a buyer's market." It is expected that high mortgage rates will continue to put downward pressure on house prices as we move into 2024.



The Nationwide House Price Index found that house price decline for the year to September 2023 was 5.3%. Robert Gardner, Nationwide's chief economist, commented:

"There are signs that more buyers are looking towards smaller, less expensive properties, with transaction volumes for flats holding up better than other property types.

## **Britain's best locations for student landlords**

Analysis by Paragon Bank has found that yields achieved by landlords letting to students have steadily increased from an average of 5.63% recorded in September 2020 to 6.66% in August 2023.

The best returns are found to be in smaller university towns and cities: Stoke-on Trent showed the highest yields for student accommodation with an average annual rent to property value yield of 9.42%. In Wales, Swansea showed the best yield of 9.22%, whilst Glasgow showed the best yield in Scotland with 8.08%.

The report cites lower house prices and less bespoke student accommodation as reasons for higher yields, in spite of these locations attracting lower student populations.

## **Charities concerns over delays to Renters Reform Bill**

The Renters Reform Bill was introduced to Parliament in May but its second reading has been delayed. A group of 30 charities and not-for-profit organisations has written to the Prime Minister urging him to pass the bill.

There are concerns the bill will not have time to pass through Parliament before the next general election, with the charities warning that delays would risk causing "more avoidable hardship and suffering" and a "greater cost to the taxpayer".

This is because the bill proposes an end to "no-fault" evictions. Under current housing legislation, known as Section 21, landlords can evict tenants without giving a reason. After receiving a Section 21 notice, tenants have just two months before their landlord can apply for a court order to evict them.



Landlords who need to sell the property or use it to house close family members will be enabled to recover their property. Similarly, measures will allow landlords to recover their property if tenants wilfully avoid paying rent, breach their tenancy agreement, or cause damage to the property.

The bill will also strengthen landlord powers to evict tenants who act anti-socially. The list of anti-social activities for eviction purposes will be broadened.

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The Government has said that the bill will resume progress in Parliament shortly.

## Agreement between Wales and Cornwall

Wales and Cornwall are similar in that they are both popular with holiday-makers and second home owners. As a result, the lack of affordable housing is causing problems. With this in mind, a new shared learning agreement is intended to help both areas tackle the housing crisis.

First Minister Mark Drakeford said: "I look forward to working more closely together, building on our strong relationship, sharing best practice and exploring other areas we can work together on in the future."

From April this year, Welsh councils can set council tax premiums at 300% for second homes to help free up housing stock for locals.

Councillors in Cornwall hope that they can learn from what is happening in Wales, in order to help address the housing shortage in Cornwall.

## Scotland: More Council Tax for large homes

In a consultation that closed in October, the Scottish Government is proposing to change council tax rates in a shake-up that further moves Scotland's tax system to that of the rest of the UK.

The proposals include changes to reflect the circumstances created by the cost crisis, and also approaches to longer term reform of the system.

The Scottish Government acknowledges the criticisms of the present council tax system, which is seen by some as unfair and regressive because it levies a higher tax rate on lower value properties, and a lower rate for higher value properties.

Council tax in Scotland has historically been lower than in England, but under the proposals this will no longer be the case for those with the highest-rate homes.

A band H home in England pays twice the tax of a band D property, but in Scotland the ratio is set to rise to three times that level. The typical band H property in England will incur council tax of £4,130 per year, while its equivalent in Scotland will pay £4,253.



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.