

The West of England Partnership

LANDLORD MANUAL

SECOND EDITION

The West of England Partnership

Landlord Manual
Second Edition

Chapter One

Pre-Tenancy
(including Tax)

LACORS
promoting quality regulation

I&DeA
improvement and development agency

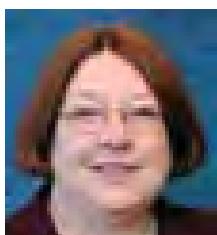
ANUK
ACCREDITATION
NETWORK UK



**Bath & North East
Somerset Council**

Councillor Vic Pritchard

Cabinet Member for Adult Social Services and Housing
Bath & North East Somerset Council



Our city
making a difference

Councillor Judith Price

Executive Member, Neighbourhoods
Bristol City Council



Councillor Ian Peddlesden

Executive Member, Housing & Community Safety
North Somerset Council



Councillor Matthew Riddle

Executive Member, Community Care & Housing
South Gloucestershire Council

Foreword By West Of England Local Authority Partnership Councillors

Welcome to the second edition of the West of England Landlord Manual, which has been developed as a stand-alone information document and a reference manual to accompany the West of England Landlord Development Course. This manual has been adopted by the West of England Housing Group; these are the four local authorities in the region (Bath & North East Somerset, Bristol City Council, North Somerset and South Gloucestershire).

Development of the original manual was undertaken by the Improvement and Development Agency (IDeA), Local Authority Coordinators of Regulatory Services (LACORS) and Accreditation Network UK (ANUK). Additions have been made by the West of England Housing Group in order to make this document more applicable to landlords and agents with properties in the West of England region.

This second edition contains new sections or updates on many subjects, including:

- *Energy Performance Certificates.*
- *Local Housing Allowance.*
- *Regulatory Reform (Fire Safety) Order 2005.*
- *Inheritance Tax and Capital Gains Tax.*
- *Regional Accreditation.*

We are committed to providing private landlords and agents with quality information to help them to operate successful businesses now and into the future. We can now offer three major development opportunities to regionally based private landlords and agents; The annual Landlord Expo, The Landlord Manual and the West of England Landlord Development Course.

The importance of the private rented sector continues to grow and it is essential for the success of the region that the quality, standards and professional development of those working in the sector is maintained. For these reasons the West of England Housing Group will continue to work in partnership with private sector landlords and agents.

Special thanks due to:

Tom Toumazou – ANUK/DASH
Tessa Shepperson BA LLB – Solicitor:
www.landlordlaw.co.uk
David D'Orton Gibson – Training for Professionals
Elizabeth Brogan & Richard Price – NLA
Richard Tacagni – LACORS
John Stather – NFRL
Neil Marsden – ANUK
David Kibel Bsc (Econ) FCA – Lawrence Grant Kibel Ltd,
Chartered Accountants
Dave Princep – LLAS & Camden
Haidee Ryan & Terry Pack – The Electrical
Safety Council
Adrian Thompson – Guild of Residential Landlords

With thanks to the consultative committee:

Dave Princep – LLAS/ANUK
Maxine Fothergill – LLAS/NFRL
Ian Fletcher – BFP
Clare McMullin – Newcastle/ANUK
Chris Town – RLA
Richard Price – NLA
Mike Stimpson – SPLA Chair/NFRL
John Mann & Rachel Nielsen – IDeA
Tom Toumazou – ANUK
Dave Offord – DCLG

Liability & Disclaimer:

While reasonable care has been taken in the preparation of this manual to ensure that the information contained within it is accurate, the manual is provided 'AS IS' and without warranties of any kind, either express or implied. To the fullest extent permissible by UK law the IDeA, ANUK and WoE authorities disclaim all warranties expressed or implied, including, but not limited to, implied warranties of reasonable care, satisfactory quality or fitness for a particular purpose and non infringement of title.

The manual contains guidance and notes on certain aspects of law as they might affect the average person. They are intended as general information only and do not constitute legal or other professional advice. It should not be relied on as the basis for any decision or legal action. The IDeA, ANUK and WoE authorities take every reasonable to ensure the reliability and accuracy of information contained in this manual, but cannot accept liability for any loss suffered due to the contents of it. The law is constantly changing so expert advice should always be sought.

The sponsorship advertisements throughout the manual and on the rear cover, or any reference to a commercial or other organisation within the manual should not be taken as an endorsement of any company or product. Advertisements are placed in the manual by sponsors in order that the WoE authorities can cover the costs of producing the document and therefore supply it at no charge to the end user.

Use of this document:

This document may be reproduced for training purposes in whole or in part. However, the source of the material should be acknowledged in the document or web-page and the IDeA and ANUK logos should be displayed on the front and/or back page.

TABLE OF CONTENTS

1 PRE-TENANCY	5
1.1 Matters to consider before investing in a property	5
1.1.1 Private rented sector markets and the relevant standards	5
1.2 Letting options: means of managing a property	5
1.2.1 Self-managing landlords	5
1.2.2 Letting and use of managing agents	5
1.2.3 The relationship between the landlord and 'agent'	6
1.2.4 The liability of the landlord where an agent is used	6
1.2.5 The liability of the agent in agency agreements	6
1.2.6 Defining responsibilities in the contract	8
1.3 Permissions to let property	8
1.4 Insurance (buildings & contents)	8
1.5 Tax	9
1.5.1 Income tax	9
1.5.2 Structure	9
1.5.3 Capital gains tax	10
1.5.4 Inheritance tax	11
1.5.5 Furnished holiday lettings	11
1.5.6 Stamp duties	12
1.5.7 Value added tax (VAT)	12
1.6 Council tax	12
1.7 Sources of legal advice	12
1.8 Membership of a landlord association	13
1.9 Accreditation	13
1.10 Useful contacts for landlords	13

1 PRE-TENANCY

1.1 Matters to consider before investing in a property

The Private Rented Sector (PRS) is expanding and Buy-to-Let mortgages allow property investors to acquire a mortgage to purchase a property to let out, with rental income covering mortgage repayments. If you are thinking about purchasing a property to let out, you should consider the benefits very carefully. Some of the matters you should consider are:

- *The demand for rented accommodation in the area in which you are considering investing. In many areas, including popular inner city locations, there may be an oversupply of rented accommodation and therefore it could be difficult to let the property.*
- *The achievable rent and the amount you would need to charge to cover your mortgage and other outgoing costs.*
- *The profit margins.*
- *All costs like repairs and letting expenses - advertising and professional fees.*
- *How much of the year you can afford to have the property vacant. Every landlord should allow for about a seven per cent void rate for vacancies or turnaround times between occupants.*
- *The ability to pay your mortgage if the tenant stops paying their rent or you have an unexpectedly large repair bill.*
- *The sort of market you will be entering. Each has its own characteristics and particular benefits and problems. [See section 1.1.1]*
- *The potential investment return. You need to be realistic about the returns you will achieve. It is more realistic to expect lower short-term gains and higher long-term profits.*
- *Your degree of experience managing property and tenancies. The knowledge and skills needed to be a landlord are considerable.*

1.1.1 Private rented sector markets and the relevant standards

When deciding to let you should consider what market you want to enter. Broadly speaking there are four PRS markets:

1. Renting to people on benefits.
2. Renting to students.
3. Renting to working tenants.
4. Renting to professionals & higher end market.

The type of property you own and its location may determine the market you aim for. Different markets will command different rent levels and will require different standards of letting. Some of the issues that you might

like to consider are:

- *Professionals will insist on higher standards and will expect showers and possibly en suite facilities.*
- *renters whilst commanding a lower rent are likely to be more stable renters – young professionals tend to be more mobile and may lead to higher voids and increased re-letting expenses.*
- *Renting to students sees higher occupancy rates which can maximise income; however they may not fully understand their responsibilities and may not look after the property as you would wish. Renting to students is also likely to bring with it regulation pertaining to Houses in Multiple Occupation (HMOs) and licensing.*
- *Student lets may not extend for a full year.*
- *All renters will expect a high level of customer care from landlords with expectations generally rising in line with the amount of rent paid.*

If you propose to let a mortgaged property, or a room within it, you will require permission from the mortgage lender.

If the property is subject to a long lease, permission may also be required from the freeholder before renting. This will be determined by the terms of the lease. Where these are not clear it is advisable to seek assistance from a lawyer or the local Housing Advice service.

1.2 Letting options: means of managing a property

There are a number of options you might consider for managing the property, depending on your experience, skills and time. Each option has advantages and disadvantages but you should carefully consider which option is best for your particular circumstances:

1.2.1 Self-managing landlords

This option is for landlords who are confident that they know their responsibilities and best practice in managing properties. This option saves you the cost of an agent, but can require a considerable investment in time. If problems arise, you may require advice from a professional such as a lawyer or accountant, which may come at a cost. Landlord associations are a good source of advice and assistance and can provide most of the information that a self-managing landlord would require.

1.2.2 Letting and use of managing agents

If you decide to get help with managing your property, there are three potential options:

a. Letting only

This is where an agent markets the property, advises on rent levels, finds a tenant, undertakes reference checks if required, and provides a tenancy agreement.

Once the tenancy has started, the owner (landlord) undertakes all management of the property.

The agent charges the landlord a one-off fee for this. The amount will vary but is usually based on the rent, often it will be one month's rent.

They may also charge the tenant an administration fee. You need to agree what deposit is to be collected, and ensure it is held in accordance with statutory tenancy deposit protection measures if it is taken after 06 April 2007.

b. Letting and rent collection

The second option is where the agent finds a tenant but also collects the rent during the tenancy. Other management functions such as repairs and arranging to get possession of the property at the end of a tenancy, if needed, are still dealt with by the landlord.

The agent is likely to charge a one-off fee and then a monthly fee (a percentage of the rent, perhaps 5%) for collecting the rent. This arrangement may be confusing for the tenant as it is not clear who is responsible for which areas of management.

c. Full management

The third option is for the agent to act as a full managing agent. They deal with all management issues, repairs, rent collection, starting the tenancy and some steps towards ending the tenancy. For example, they may serve notice but not take court action. This is obviously more expensive (perhaps 10% to 15% of the rent), but it is worthwhile if the property owner either does not have the time to manage the property, or lacks the expertise. You need to agree with the agent what repairs they can do without asking you, and what repairs you want to get involved in. You will have to pay for the repairs, hopefully out of the proceeds of the letting.

1.2.3 The relationship between the landlord and 'agent'

The term 'agency' is used in law to describe the relationship between the principal, (in housing this is the landlord) and the agent. The principal agrees (expressly or impliedly consents) that the agent should act on their behalf in legal relations with third parties (in housing this is the tenant, and any other party that the agent needs to deal with in managing a property, for example workers undertaking repairs). The agent also agrees to act on the landlord's behalf.

1.2.4 The liability of the landlord where an agent is used

Where an agent is used, actions carried out by the agent on the landlords behalf are treated in law as if they had been done by the landlord. Landlords are bound by any agreement or contract made by their agent on their behalf with a third party (i.e. a tenant).

If the agent agrees to something which the landlord had not authorised, the landlord is still bound by the agent's action, unless it is something obviously outside the authority of a normal agent in these circumstances.

This means, for example, that if the agent is acting as managing agent for the property and fails to carry out a statutory duty, such as ensuring an annual gas safety inspection is carried out, the landlord will be held liable for the failure as well. A landlord will also be ultimately liable to the tenant for the return of the damage deposit (in situations where the tenancy deposit scheme does not apply) and will be obliged to pay this to the tenant, for example if the agent were to go bankrupt or abscond with the money.

In view of this, you should be very careful when choosing an agent, and choose one who will carry out their responsibilities properly.

You should also be very clear when giving agents any special instructions (such as 'no pets') preferably putting these in writing.

1.2.5 The liability of the agent in agency agreements

If the agent has acted properly and in accordance with the agreement with the landlord, an agent will not be liable for a contract entered into on behalf of his landlord.

If the agent has acted contrary to instructions (for example allowing pets where the landlord specifically said 'no pets') it is likely that the agent will be liable to the landlord for any losses which may follow from this. Liability may depend on, amongst other things, the precise instructions from the landlord and subsequent correspondence or conversations.

An agent may be personally liable to the tenant if the agent has not told the tenant that they are acting for a third party and the tenant believes the agent to be the landlord. The agent is also liable in respect of claims for the damage deposit money where the agent has held this as 'stakeholder'.

- *Agents and notice to quit: Agents can validly serve possession and other notices on behalf of their landlords. [See section 6.2.1] for more detail on possession notices.*

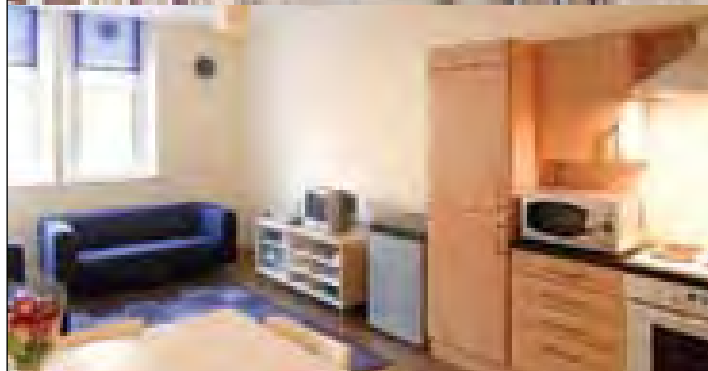
Also a notice to quit served on a landlord's agent by a tenant will normally be considered validly served.

- *Agents and court claims: Although they can deal with the notice element of recovering possession, agents should not initiate legal proceedings on behalf of landlords without their knowledge. Also, agents are not entitled to sign claim forms for possession proceedings [See section 6.2.1] even if they hold power of attorney. Only litigants or their solicitors are able to sign these. The fact that a claim form is signed by a letting agent is a common reason for the rejection of claims by the county court.*



For the widest selection
of accredited student
accommodation in
Bristol call 0117 930 8750
or look on our website:

www.bristoldigs.co.uk



DIGS

1 The Triangle,
Clifton,
Bristol BS8 1EY

tel: 0117 930 8750

fax: 0117 316 9714

email: enquiries@bristoldigs.co.uk

24 Regent Street, Clifton Village, Bristol, BS8 4HG

0117 974 3233

Clifton
property services ltd

The logo for Clifton property services ltd features the word 'Clifton' in a large, bold, white serif font, with 'property services ltd' in a smaller, white sans-serif font below it. The background is a dark blue gradient with a white architectural element, possibly a balcony or roofline, visible.

LANDLORDS; we can offer you:

- Simple solutions to new Deposit Regulations
- Flexible Management Options
- Professional & Student Lets
- HMO Advice and Guidance
- Full Referencing & Inventory Service
- Competitive Rates



ARLA

www.cpsl.uk.com

Frequently, agents will offer landlords the opportunity to take out legal expenses insurance. If you decide not to take advantage of this or if it is not offered, then although your agent may assist you by recommending and liaising with suitable solicitors, it is generally best for you to deal with any court proceedings which may arise yourself. Even if you wish to delegate much of this to the agent to deal with, it is prudent to keep aware of what is happening as you will be potentially liable to the other party, for example for costs, if the claim is not successful.

1.2.6 Defining responsibilities in the contract

If you enter into an agreement with an agent, you should get a written contract with them indicating what level of service they are offering, and their agreed fees. It is important to read the whole contract and discuss any points you are not satisfied with before signing, so it can be varied or an alternative agent sought.

You also need to agree how you can terminate the contract for any reason, including if you want to take over management yourself. As in many businesses, a small proportion of agents may not make a reasonable profit and can go out of business owing both the landlord and tenant money.

Investigate the agent. It is worth trying to get a personal recommendation (your local landlords association may be helpful here). Check how long the company has been in business, how many premises they manage, what training their staff have received, and whether they are a member of a professional or trade organisation such as:

- *The Association of Residential Letting Agents (ARLA).*
- *National Approved Lettings Scheme (NALS).*
- *The National Association of Estate Agents (NAEA).*
- *Royal Institute of Chartered Surveyors (RICS).*
- *The Housing Ombudsman Service (HOS).*
- *The Bristol Association of Letting and Managing Agents (BALMA).*

Fees and costs will vary, and cheapest is not always best if the agent is not an expert in good management practice and housing law.

It is also important to choose an agent who is familiar with the type of property you are letting, so take a look at the other properties they are dealing with. You could also get someone you know to contact them with enquiries about renting a property to see how they treat potential tenants.

1.3 Permissions to let property

Any property owner who has a mortgage or is not a freeholder will need to secure the necessary permissions before they rent their property.

Inform the freeholder – If you are a leaseholder then your lease or contract will contain a clause that you must get the freeholder's permission to sub let or part with possession. This permission may not be unreasonably withheld, but it is very important that you get the permission. If you let the property out and then later seek permission you will have already breached your lease. This breach is what we call a 'once and for all' breach and your freeholder can take legal proceedings against you.

The freeholder's permission will generally be a formality, although it is usual for the freeholder to make a small charge for granting their permission. Refusal will only be given where it is reasonable. For instance, if there have been complaints about noise from former tenants this might be discussed and you might be required to satisfy the freeholder that you will be renting to responsible tenants. If the freeholder does refuse permission you should make sure you have read the lease and know what it says about this, and then seek the freeholder's reasons for his refusal. You may be able to satisfy his misgivings before you need to take further advice.

Informing the mortgage lender – If you have a mortgage it will be a term of that agreement that you get the lender's permission before you let the property, even if you are just letting one room in it. This is because the mortgage lender will be concerned that you are not doing anything that may affect the value of their investment and their ability to recover the loan they paid you to buy the property.

You will need to check the terms of your mortgage. For many Buy to Let mortgages permission to rent the property may be automatic, but even in Buy to Let mortgages there may be conditions on the type of let permissible e.g. 'assured shorthold tenancies only' [See section 2.1.1 for an explanation of assured shorthold tenancy] or a restriction on Housing Benefit tenants. If you are unsure of the requirements, speak to your legal adviser assisting with the purchase. You will probably need special permission from the lender if you want to rent the property out as 'rooms' or bedsits which would create a House in Multiple Occupation. If you purchase the property as an owner-occupier on a standard mortgage for home owners, you will need to obtain permission to rent the property to tenants. The lender may increase the cost of the mortgage if they give permission to rent the property out.

Usually a lender will not object to one room being rented out to a 'lodger'.

1.4 Insurance (buildings & contents)

You need buildings insurance to cover the risk of damage to the structure and permanent fixtures and fittings of a building, for example as a result of fire. Tenants are usually responsible for providing their own contents insurance to cover their personal belongings, but you

should take out contents insurance to cover loss or damage to household goods that you have supplied, e.g. cooker, carpets, curtains etc. Note that it is a matter for the tenants whether or not to take out insurance for their own property: you cannot require them to do this.

Insurance for rented property is usually more expensive than for owner-occupied accommodation; furthermore insurance aimed at owner-occupiers will not be suitable for rented property. The Association of British Insurers produces guidance for owners which explains how insurers assess risks and what you can do to secure cover. If you do not declare to your insurance company that a property is occupied by tenants (instead of being owner-occupied), this is likely to invalidate the insurance, and any claim you make will either be refused or will be reduced. Remember that insurance cover, like your mortgage, may come with conditions attached governing the type of tenant that you let to.

There are special policies for landlords that provide cover for loss of rental income and the cost of temporary accommodation where a property is made uninhabitable as a result of one of the causes insured against. The insurance market is extremely competitive and it is worth shopping around to find the best value for money. Landlords' organisations often offer lower cost insurance to members.

1.5 Tax

Tax is an aspect of Residential Property Investment which is often overlooked. There are many twists and turns to consider at all levels, whether it be for Income Tax, Capital Gains Tax or Inheritance Tax, and it is important to get the structure of ownership right and to make sure that all tax relief, allowances and claims are made.

This section summarises some of the main aspects of the principal areas of Property tax. There are many detailed aspects to consider at each stage, and it is very important to obtain good professional advice if you have any doubts as to the applicability of any rule.

The tax implications for commercial property are, in many instances, very different and have not been addressed here.

All areas of tax require you to practice good record keeping (this is equally applicable when you sell a property). It is essential that you keep full and accurate records of all income and expenditure, perhaps maintaining a separate bank account for these, so that you can be sure that you have all of the ammunition to allow you to claim the maximum deductions and thereby pay the minimum amount of tax.

1.5.1 Income tax

If you are a new property investor you should promptly notify HM Revenue & Customs (HMRC) of the new

source of income which you are now receiving. The tax is computed through the annual Tax Return sent to HMRC. Income Tax is payable on profits made from the property renting business by computing the total of rents receivable less expenses. Tenants' deposits do not count as income.

Typical expenses which can be deducted include: repairs and maintenance (though not initial expenditure needed to bring the property up to a letting standard, or improvements); gardening; cleaning; ground rents; service charges; contents and building Insurance; managing agent's fees; legal fees for tenancy agreements; advertising; HMO licence costs; interest (not the capital repayments) on loans used to buy or improve the property; water rates and council tax; heating and lighting; security, accountancy fees; motor and travelling expenses for visiting the property and for attending to matters relating to let properties. Further a special wear and tear allowance of approximately 10 percent of the rents received can be claimed if the property is let furnished. This list is not exhaustive and can vary in individual circumstances.

On the question of repairs and maintenance, it is important to distinguish between items of repair, and items of improvement. Redecorating rooms, changing windows from single to double-glazing, or replacing a defective roof, are examples of repairs which will be allowable. The addition of another floor to the building, or a new conservatory, would not qualify, and tax relief would only be received on the eventual sale of the property, being set against the eventual Capital Gain. There may however, be special cases where property improvements can be tax deductible.

1.5.2 Structure

Where properties are owned in joint names, then the profits can be shared between the joint owners or, in certain circumstances, can be wholly attributable to one or other of the joint owners. Where a husband and wife own a property jointly, the income is automatically assessed equally, even if the actual ownership proportion is not equal, unless they elect otherwise.

For Capital Gains Tax purposes, the proportionate ownership is important, and any Capital Gain would be shared between the joint owners in their respective proportions thus giving rise to multiple tax-free allowances.

In certain circumstances, it may be worthwhile for a Limited Company to be brought into the structure. It is normally sensible for the properties themselves to be held in individual or joint names, but these can be sub-let to a company who then let out the properties to the ultimate tenants. In this way, the let income from the property is taxed at the lower rate of Corporation Tax, thus leaving more for the ultimate owners.

1.5.3 Capital gains tax

Capital gains tax is a tax landlord's only pay on disposal of their buy-to-let investment property. It is treated as a top slice of taxable income and therefore the rate that a landlord will pay will depend on what income they have earned in the year of disposal. In calculating a landlord's potential Capital Gains Tax (CGT) tax liability a landlord will have to apply the following concepts to their Capital Gains Tax (CGT) calculation:

- Establish the base cost of their buy-to-let investment (effectively cost of acquisition).
- Establish the size of the gain by taking base cost from disposal value.
- Establish if buy-to-let investment held as a non-business or as a business asset (most will be non business, whilst holiday rentals are classed as a business asset).
- If the buy-to-let investment property is held as an individual not by a company the landlord can use their annual exemption 2006/2007 £8800 to reduce the amount of the chargeable gain.

- For properties bought before April 6 1998 the gain is subject to indexation.
- Properties bought on or after April 6 1998 the gain is subject to taper relief.

Effective rate of Capital Gains Tax (CGT)

For most landlords the effective rate of Capital Gains Tax (CGT) that a landlord will pay depends on their rate of income tax. For a landlord who is a basic rate tax payer the effective Capital Gains Tax (CGT) rate could reduce to 12% as the percentage of the gain chargeable reduces to 60% after 10 years and this is then charged at 20%. For landlords who are top rate tax payers the effective rate is double as they pay 40% tax.

The new regime

The new Chancellor Alistair Darling is planning to sweep away the old systems of indexation and taper relief carefully put in place by the previous Chancellor and replace the systems of indexation and taper relief with a single flat rate of 18%.

The new flat rate Capital Gains Tax (CGT) will apply to a landlord immediately and means that for a high rate tax payer they will be paying 6% less than they would have



COMMERCIAL & RESIDENTIAL
Property Insurance Services Limited

LANDLORD INSURANCE

Instant quotes with major insurers

Special scheme rates

Personal service from an established
property insurance broker

Residential and Commercial Property

FIA Reg No. 201175

Tel. 01275 876714

www.propertyletinsurance.co.uk

done after 10 years under the previous system of taper relief. For basic rate tax payers things are less clear cut. Under the previous system a basic rate tax payer would have had to have held their buy-to-let investment property for 4 years before benefiting from a rate as low as 18%. However, this would have eventually reduced to 12% after 10 years or 6% below the rate that will come in on 6th April 2008.

A couple of beneficial points for landlords are that the new system is much simpler to understand and should make disposal decisions and calculations much easier for landlords.

It also makes it far more attractive for landlords to trade their buy-to-let investments buying and potentially renovating a property, holding for a couple of years before then selling their buy-to-let investments on.

1.5.4 Inheritance tax

Where a property is owned at date of death, the value of that property forms part of your Estate and is potentially liable to Inheritance Tax (IHT). If the property is left to your spouse in your Will, then no IHT would be payable until the death of your spouse, but IHT is inevitably payable.

Recent changes mean that the threshold at which IHT becomes payable has been raised for married couples to £600,000 (this figure was correct in January 2008, for up-to-date figures please see the HM Treasury website at www.hm-treasury.gov.uk). This increase has come about because spouses can now transfer their individual allowance, essentially giving a doubling of the threshold.

There are ways of reducing the IHT liability. If properties are held in joint names (as tenants-in-common rather than joint tenants) from the outset, then only a proportion of the value of the property will fall into your Estate. And because you do not own all of the property, a discount can be applied to the proportionate value, thus reducing the IHT even further. A tax efficient should be drawn up to ensure maximum use of IHT allowances.

A typical arrangement would be to include a Mini-Discretionary Trust within the Will. However, it is always best to consult a financial advisor, as they will be able to advise you of any recent changes.

1.5.5 Furnished holiday lettings

There are special rules for such properties, which benefit from additional Income Tax, Capital Gains and Inheritance Tax reliefs. The rules are complex and proper professional advice is essential.

Landlords: no let - no fee, no hidden costs...

We offer

- ✓ your property on our website
- ✓ local press and magazine advertising
- ✓ Management service or let only service, with landlord insurance
- ✓ Competitive rates
- ✓ Advice on re-mortgage
- ✓ Maintenance. including gas, electric, soft furnishing, smoke detector batteries certificate
- ✓ Carbon monoxide monitors



home for you

Leading Property Letting & Management Specialists

home for you, 360/362 Gloucester Road, Horfield, Bristol BS7 8TP

HOTLINE: 0117 949 4943

www.h4y.co.uk

1.5.6 Stamp duties

Stamp Duty Land Tax (SDLT) is payable by the purchaser on the cost of the property. The rates depend upon whether the property is in normal areas in the UK or in 'disadvantaged areas'. The list of areas which are included as disadvantaged is much wider than one would imagine, although this only applies to lower valued properties. A postcode search can be found at: www.hmrc.gov.uk/so/dar/dar-search.htm

To see if your property could qualify.

The rates of SDLT for residential property at the time of going to print are as follows:

Rate	Disadvantaged Areas	All Other Areas
0%	£0 - £150,000	£0 - £125,000
1%	£150,001-£250,000	£125,001-£250,000
3%	£250,001-£500,000	£250,001-£500,000
4%	£500,001 and over	£500,001 and over

The value of any fixtures, fittings or furniture included in the purchase can be excluded from the purchase price in calculating the SDLT payable, though the Stamp Duty office will look at any obvious overloading in this regard.

1.5.7 Value added tax (VAT)

Under normal circumstances, Landlords cannot register for Value Added Tax (VAT) in relation to their residential properties; as such rental income is exempt from VAT. This means that any VAT incurred cannot be reclaimed. However, Landlords who are VAT registered in their own self employed businesses may be able to claim some VAT incurred.

A special VAT rate of 5 per cent is available on the renovation or alteration of a single household dwelling that has not been lived in for three years or more, so that this is a useful saving over the normal 17.5 per cent rate.

More information on tax can be obtained from your tax office or visit the Inland Revenue website at: www.hmrc.gov.uk

You can also get copies of leaflets on taxation of rents and other tax matters from the website, or by phoning the Order Line on: 08459 000 404

1.6 Council tax

In self-contained flats or houses, the tenant is liable for Council Tax. Landlords should notify the local council of the name of the tenant and when he/she moved in.

If the property is empty, the landlord will be liable for Council Tax, but can seek an exemption for up to six months if the property is unfurnished.

Properties occupied entirely by students undertaking full time education courses are exempt from Council Tax; however the students must apply for the exemption.

In a House in Multiple Occupation containing bed-sits or rooms with shared facilities, the landlord is liable to pay Council Tax. Rent should be set to take account of the amount you must pay for council tax. If the council tax increases, this does not create an automatic right to increase the rent. Rents cannot usually be increased more frequently than once a year. A landlord can include a term allowing increase of council tax element in line with council tax rise in the tenancy agreement.

A tenant over 18, living alone in a property will qualify for a 25% discount from their council tax bill.

It is helpful if landlords inform the council tax section of the local authority in writing whenever someone moves in or out of their property, or if it is empty. [See section 7, Empty Properties]

1.7 Sources of legal advice

If you use a letting or managing agent, they should be able to give you some free basic advice about housing law as part of their service to you. Your local council or local Citizens Advice Bureaux can also give you some basic information about housing law.

Some excellent leaflets are available from the government: www.communities.gov.uk

(Follow the links for Housing, then Renting & Letting, then Private Renting).

Publications are available free of charge from:

Communities and Local Government Publications

PO Box 236

Wetherby

LS23 7NB

Tel: 0870 1226 236

Fax: 0870 1226 237

Text phone: 0870 1207 405

Email: communities@twoten.com

For example quote reference 97 HC 228B for 'Assured and assured shorthold tenancies: A guide for landlords'.

If you have access to the internet, a search for landlord legal advice leads you to a number of sites giving free basic information and offering other services you can pay for. [See Appendix 5, Useful Contacts for Landlords]

Landlord associations usually offer members free basic legal advice.

If you need to get more detailed legal advice or representation you may need to consult a solicitor. Make sure the firm or solicitor you use is experienced in housing work. It is best to go by personal recommendation - your local Landlord Association will be

able to suggest suitable firms. Firms specialising in work for landlords often advertise on landlord related websites on the internet.

Remember to keep receipts for any payments you have to make to get legal advice, as you may be able to get tax relief for these payments.

1.8 Membership of a landlord association

There are a number of excellent Landlord Associations [See Appendix 5, Useful Contacts for Landlords] and it is worth considering paying to become a member. Membership fees and benefits vary, so it is worth shopping around to get an association that suits you. As a member you will usually get a regular newsletter giving advice and an update on housing law or policy as it changes.

You can usually get discounts for services for landlords such as insurance. You will also learn of new services you may be interested in.

You might be able to get individual advice if you have a problem. Through the network of other members you may get ideas to resolve problems or how to manage your property more successfully. There are usually periodic meetings where you will have the opportunity to meet other landlords.

1.9 Accreditation

The Accreditation scheme is a voluntary free scheme for private landlords, which recognises good quality, well managed, private rented accommodation.

Each of the four authorities in the West of England runs an Accreditation scheme, and the entry requirements for all the schemes are the same:

- *Landlord / managing agent must sign up to the Code of Good Management Practice.*
- *Property meets Decent Homes Standard.* [See section 3.7]
- *Property meets any legal requirements that apply e.g. free from major hazards under the Housing Health & Safety Ratings System [See section 3.6], complies with Regulatory Reform (Fire Safety) Order 2005. [See section 3.11]*
- *If the property is a House in Multiple Occupation (HMO), it must comply with relevant standards. [See section 4.1, Definition of an HMO]*
- *Property meets specified Accreditation standards for Fire Safety, Energy Efficiency and Security.*

At the time of going to print these standards were not available. The full standards and details of how to apply can be obtained from your local authority private housing

team [See appendix 5, Useful Contacts for Landlords] they will also be available from: www.landlordinfo.co.uk

Each authority runs the scheme in a different way: some inspect all properties, and some operate a self-certification system and periodically spot-check a random sample.

The advantages of joining the Accreditation scheme in your area could include:

- *access to financial incentives from the local authority.*
- *discounts on insurance.*
- *reassurance of knowing your property meets a Superior standard.*

Your property will also be more attractive to potential tenants. In addition Universities in some authorities will only advertise Accredited properties on their Accommodation websites.

1.10 Useful contacts for landlords

Many of the most useful contacts are on the internet. If you do not have access to the internet yourself, most libraries will offer free internet access. Alternatively the library can provide telephone contact numbers for different services within your local area.

[See Appendix 5, Useful Contacts for Landlords]

The West of England group of authorities run an annual Landlord Expo to provide information and contacts for private landlords. [See Appendix 5, Useful Contacts for Landlords] If you would like to be added to the mailing list to receive updates about the Expo and other West of England events please telephone your local authority. For more information on the Expo see: www.landlordexpo.co.uk

2 SETTING UP A TENANCY

2.1 Types of tenancies

If you are a landlord or are looking to be one it is important that you understand the types of tenancy which exist. This is because sometimes the rights and obligations of both the landlord and the tenant, particularly in the procedure for possession, will depend on the type of tenancy involved. [See section 6 for ending of tenancies]

2.1.1 Assured and assured shorthold tenancies

These types of tenancies are governed by the statutory code set up in the Housing Act 1988, which was amended slightly by the Housing Act 1996. The vast majority of tenancies today will be assured or, more usually, assured short-hold tenancies. Both assured and assured short-hold tenant landlords can charge a market rent for the property.