

# Property Bulletin

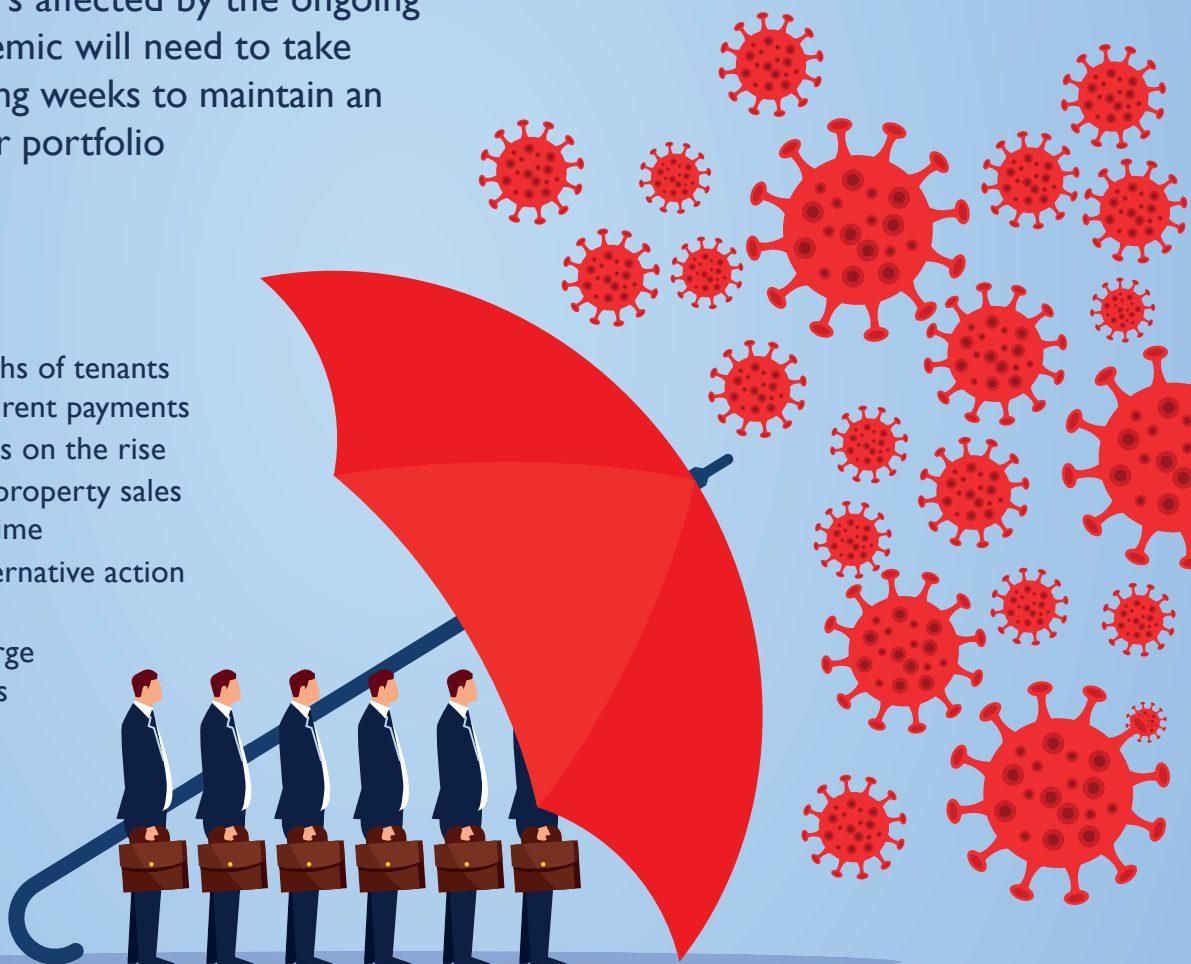
April 2020

## Landlords need to seek support during Coronavirus pandemic

Property investors affected by the ongoing COVID-19 pandemic will need to take steps in the coming weeks to maintain an income from their portfolio

### PLUS:

- Study finds two-fifths of tenants are struggling with rent payments
- Property sale scams on the rise
- CGT reporting of property sales to be given more time
- Landlords seek alternative action to recover rent
- Stamp duty surcharge for overseas buyers



Welcome to the latest Grunberg & Co Property Bulletin, our publication to keep you up-to-date with news from the property sector and the accounting and financial services that our firm can offer you and your clients.

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## Support for landlords affected by the Coronavirus pandemic

The Coronavirus pandemic has had a substantial impact on the income of many sectors, not least the property investment industry.

Many landlords across the UK are facing the prospect of missed rental payments, with little way of redress due to the Government's three-month moratorium on residential property evictions.

Of course, in return, the Government has ensured that Buy-to-Let landlords can access the same three-month mortgage holiday as other homeowners, but what other steps should landlords be taking at this point?

### Speak with your lender

If you are going to struggle to meet your mortgage payments, either because a tenant is unable to pay rent or you have seen a decline in other income usually used to repay your lender, then it is important you speak with your mortgage provider.

As mentioned, lenders are required to offer a mortgage holiday to those affected by the pandemic.

Although payments will be suspended you will still be expected to repay the full amount borrowed plus any interest accrued.

How this is repaid will vary by lender, with some choosing to extend the length of a mortgage, while other lenders are spreading the cost over the length of the mortgage, resulting in a small uplift in monthly costs.

### Communicate with tenants

If you haven't already, take the time to speak with your tenants, find out how their lives have been

affected by the pandemic and whether it will affect their ability to pay the rent.

Everyone is facing increased pressures as a result of the COVID-19 pandemic so consider the way you approach the question and try to be compassionate.

Negotiate with them and come to a suitable solution, which could include:

- Spreading the missed rent payments across the rest of the tenancy through an increase in rent
- Agreeing a temporary reduction in rent to be repaid at a later date
- Extending the length of the lease and adding additional payments.

Remember, it is better to have some rental income rather than none at all. Whatever option you take remember to record any agreements and ensure you act within the existing law.

### Cut costs

Landlords should look at ways of cutting costs where they can. If they pay for utilities as part of the rental agreement, then they could switch providers to find a better deal or if they are using a letting agent then they could reduce the services they receive.

It may also be necessary to postpone planned improvements to a property, but ensure tenants are made aware of this if they have already been informed.

### Consider remortgaging

The Bank of England has reduced its interest rates to a record low of just 0.1 per cent and so several mortgage lenders have introduced Buy-to-Let mortgages at much lower rates.

If you are coming to the end of a fixed-term deal or are currently on a variable rate deal, then it might be worth seeing if you can reduce your monthly repayments by finding a more cost-effective mortgage.

### Self-employed or a company director?

Depending on whether your portfolio is managed via a limited company or you act as a self-employed landlord could affect the income support you receive from the Government.

If you are self-employed then you may be able to benefit from the Self-Employed Income Support Scheme, which promises to pay up to 80 per cent of previous trading profits up to £2,500. This will be based on your previous self-assessment submissions and is only available to those with annual trading profits of £50,000 or less, this does not include rental profits.

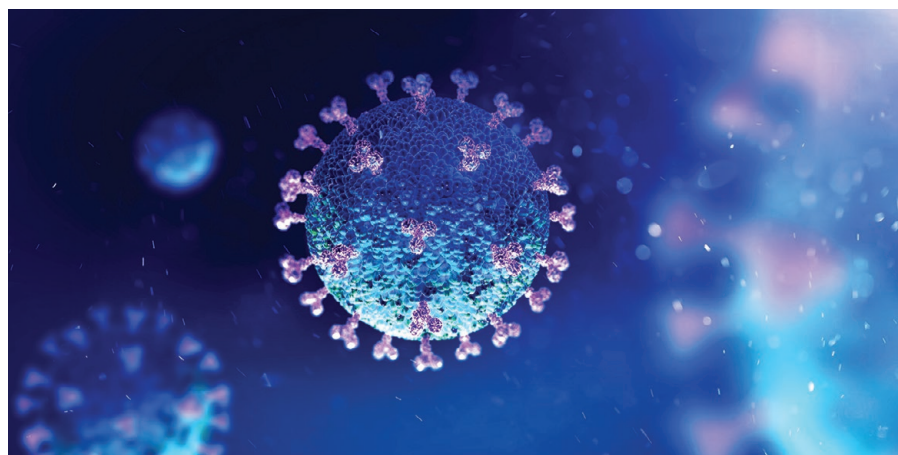
If you are the director of a limited company then you may be able to benefit from the Coronavirus Job Retention Scheme, which offers a similar level of support based on PAYE records rather than self-assessment. However, you must be furloughed in order to benefit from this which means you cannot conduct any work that generates revenue for the business.

Details of both of these schemes can be found on our COVID-19 Business Support Hub by clicking [here](#).

### Planning for the future

All businesses must use this experience to plan for the future. Once things have settled down it may be worth building up surpluses and savings to deal with future crises.

Creating a robust contingency plan that works alongside your existing business plan for future periods of disruption is also a good idea, as is dedicated pandemic insurance. The business community as a whole must take lessons from this pandemic to prepare for the future.



# Property sale scams on the rise

The National Association of Property Buyers (NAPB) is warning all property investors of the growing potential from scams and is encouraging them to undertake additional checks before responding to advertisements from potential buyers.

The NAPB, a not-for-profit organisation dedicated to supporting investors, has said there is likely to be an increase in scammers looking to cash in on sellers looking to dispose of property as the sales slowdown worsens as a result of the Coronavirus pandemic.

Jonathan Rolande of The NAPB said “Sellers should always be cautious about just who they are doing business with, but in the current climate there are more people than ever hoping to mislead homeowners for financial gain.

“Promising unrealistic timescales, slashing prices at the last moment or simply dropping out of a sale leaving a seller high and dry are all tricks used in this kind of market. We are also concerned about the rise of property fraud with many

solicitors now out of action, which leaves sellers even more vulnerable.”

The NAPB is advising sellers of all kinds, experienced and novice, to check whether buyers are legitimate by ensuring that they are members of The National Association of Property Buyers. This ensures buyers are members of The Property Ombudsman Scheme, giving vendors financial redress should anything go wrong.

Mr Rolande added: “If a sale is agreed to a buyer who isn't in The NAPB the seller is not protected whatsoever. Despite the dire market conditions, many of our members are still purchasing property but it is vital that sellers ensure they are dealing with a reputable member firm and not a fraudster.”



# CGT reporting of property sales to be given more time

It was announced that from the start of April all Capital Gains Tax (CGT) from residential property sales would have to be reported and paid to HM Revenue & Customs (HMRC) within 30 days where tax is due.

However, HMRC has now confirmed that it will not charge late filing penalties for reports of CGT on disposals of UK residential property by UK residents made by 31 July 2020 that are made after 30 days.

The announcement, made during an HMRC question and answer factsheet shared with ICAEW's Tax Faculty indicates that despite the change in rules, taxpayers will not be fined for a breach of the regulations.

HMRC stated: “To help those selling properties familiarise themselves with the change in the rules

and a new on-line process, HMRC is allowing a period of time to adjust and will not issue late filing penalties for CGT payment on account returns received late up to and including 31 July 2020.

“For UK residents, this means transactions completed between 6 April and 30 June 2020 and reported up to 31 July 2020. Transactions completed from 1 July 2020 onwards will receive a late filing penalty if they are not reported within 30 calendar days. Interest will accrue if the tax remains unpaid after 30 days.”

It is thought that the temporary loosening of

the rules is designed to help those struggling to contact agents or report CGT as a result of the COVID-19 pandemic.

ICAEW Tax Faculty said that the Q&A seemed to suggest that the easement only applied to UK residents and not for non-residents who have already had the rules applied to them.

Whilst the charging of late penalties has been postponed temporarily interest will still run on the CGT due, so filing and paying as soon as possible is still highly recommended where possible.

# Stamp duty surcharge for overseas buyers

Overseas buyers of residential property in England and Northern Ireland will be required to pay a two per cent stamp duty surcharge from April 2021, following changes announced in the Budget.



Where an overseas buyer does not intend to inhabit the property themselves then they will be required to pay an additional three per cent on top of the initial surcharge – totalling a charge of five per cent over the standard Stamp Duty Land Tax rate.

This policy was included in the Conservative Party Manifesto and will help to raise an additional £120 million a year for the Treasury.

The Government intends to use the money raised from this policy to help fund policies to reduce homelessness in the UK.

If you are unsure of how this change in policy may affect your future property investment plans, please contact us.

# Study finds two-fifths of tenants are struggling with rent payments

New data from market research company, Opinium has found that around half of the UK's renters are concerned about the impact of the COVID-19 pandemic and that around 40 per cent will struggle to make rent payments.

The study showed that:

- 58 per cent of tenants who were working before the outbreak have had their employment impacted in some way
- 43 per cent of tenants whose work has been affected have struggled to pay for rent, bills or other essentials
- 25 per cent have had to voluntarily leave their rented accommodation and move in with a relative or friend
- 12 per cent of all renters have dipped into savings to pay for day-to-day life
- 17 per cent have sought financial help since the outbreak through the benefits system.

The study also questioned landlords and found that 73 per cent of landlords were worried their tenants will not be able to pay all or part of rent that is due, while 70 per cent are concerned that their tenants will leave them with an empty property.

In response to the study, David Cox, Chief Executive, of ARLA Propertymark, said: "It's

worrying to see that the vast majority of renters and landlords are concerned about rent payments.

"Unfortunately, as the COVID-19 pandemic continues, more people may see changes in their income which could leave them stressed about affording rent whilst providing for themselves and their families.

"However, there is lots of Government support available that should allow tenants to continue to pay their rent and landlords to have an income if rent payments do stop. Not enough is being done to explain and highlight these policies, but we would urge everyone to look into these and understand what help they may be eligible for. Both renters and landlords should take full advantage of the Government schemes available during this difficult period."

If you are concerned about rental income as a result of the pandemic you should seek assistance to find out how you can maintain a sufficient income during this crisis.



## Landlords seek alternative action to recover rent

Landlords struggling with the loss of income due to the COVID-19 pandemic, who are unable to evict tenants due to the Government's three-month eviction moratorium, are turning to alternative methods to force payment of rent according to reports.

The gym and leisure centre industry's trade body UKActive has said that members of its organisation are facing a variety of legal actions from landlords including statutory demand notices and winding-up orders.



As part of the Government's Coronavirus Act 2020 (the Act), new measures were introduced to protect commercial tenants. Section 82 of the Act bans the forfeiture of commercial leases until 30 June 2020 for non-payment of rent, thus preventing evictions.

Although landlords are unable to evict tenants, they are permitted to take several other steps including Commercial Rent Arrears Recovery (CRAR), making a debt claim, issuing a statutory demand, or commencing winding-up proceedings.

You can make a statutory demand notice to ask for payment of a debt from an individual or company if you are a creditor.

The debtor has 21 days to either pay the debt or reach an agreement to pay once they receive a notice. If they fail to do either then as a creditor you can apply to wind up the company, which

would effectively lead to the business's insolvency and potentially its closure.

UKActive has reported a number of its members are due to appear in court virtually in the next few days in response to such notices and that they believe that landlords may soon start to issue similar notices to other sectors affected by the pandemic.

In response to the trade bodies findings, the Department for Business, Energy and Industrial Strategy has said: "In these exceptional times, we urge landlords to act in a socially responsible way, exercising judgement and discretion with their tenants."

If you have a commercial tenant in arrears and you are unsure of what steps are available to you to recover rent then we recommend speaking to our team today.