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# Property Bulletin

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# UK's second homes now worth nearly £1 trillion

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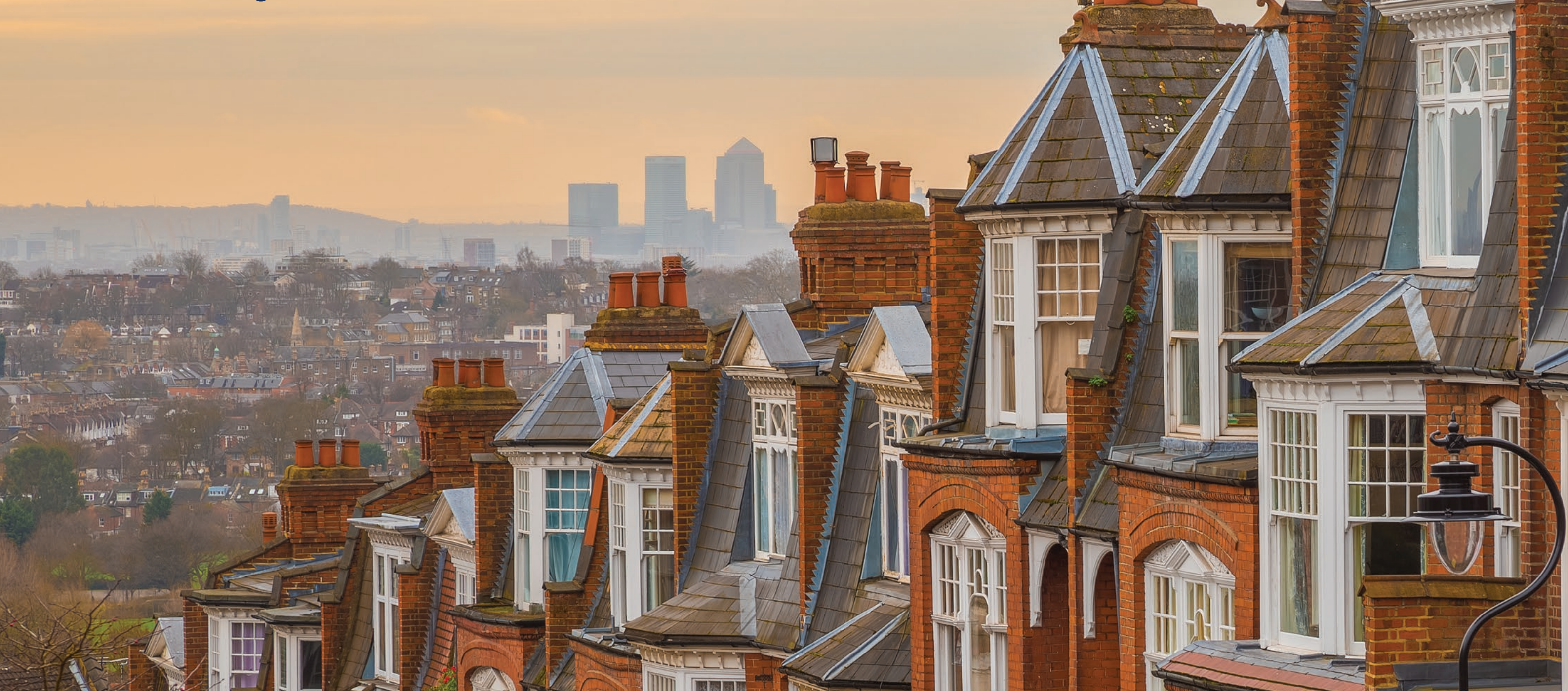
**PLUS:**

- New Stamp Duty charge could confuse buyers, says tax body
- Number of landlords declaring unpaid tax rises
- Poll finds lack of knowledge among landlords on lettings sector reforms



**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.**

In this edition, we will look at a recent warning about changes to Stamp Duty Land Tax, we will explore the rising value of the UK's second homes, investigate reports of unpaid tax among landlords and finish by looking at the lack of understanding about property taxes.

If you would like to find out more about Grunberg & Co's tax and accountancy services for you and your clients, please get in touch with us by calling +44(0) 20 8458 0083 or emailing alexk@grunberg.co.uk

# New Stamp Duty charge could confuse buyers, says tax body

**A new stamp duty land tax (SDLT) surcharge could risk further confusing the public and those involved in property transactions, according to a leading tax body.**

The Government has proposed adding a one per cent stamp duty land tax (SDLT) surcharge on non-UK residents purchasing residential property in England and Northern Ireland.

The move follows the introduction in April 2016 of the three per cent additional rate of SDLT on additional dwellings, significantly increasing the tax burden on overseas landlords and those with more than one property.

According to the consultation document, the new charge will apply to any person who is non-resident in the UK, including certain UK-resident companies which are controlled by overseas shareholders.

However, crown employees working abroad will not have to pay the surcharge whilst those who buy a residential property and then move to the UK will be eligible for a refund of their extra payment.

Mel Stride, Financial Secretary to the Treasury and Paymaster General said: "The UK is and will remain an open and dynamic economy, but some evidence shows that non-UK resident buyers of UK property could be inflating house prices. A one per cent surcharge could help more people own their own homes in the future."

While the proposed additional one per cent rate is designed to curtail overseas interest in UK property, the Chartered Institute of Taxation (CIOT) has appealed to the Government to "hold off on adding further complexity to the taxation of residential property".

In response to the Government's consultation document, Brian Slater, Chair of CIOT's Property Taxes Sub-committee, said: "stamp duty land tax (SDLT) has been the subject of technical change in virtually every year since its introduction in 2003.

"The complexity of SDLT will be compounded by the planned one per cent surcharge. We urge the Government to refrain from making further changes before the impact of recent changes to the taxation of residential property are assessed and the evidence base for the surcharge is evaluated fully.

"This policy measure is aimed at house price inflation that, in turn, needs to be considered in the context of other recent taxation changes affecting non-UK resident buyers such as the introduction in 2015 of non-resident capital gains tax and the extension of inheritance tax in 2017 to non-UK companies owning residential property. The full impact of these measures is yet to be seen."

For more information on property expenditure and tax planning, please speak to our team.

# UK's second homes now worth nearly £1 trillion

**The value of UK residents' second homes, buy-to-let properties and overseas properties rose from £610 billion in 2001 to £941 billion at the start of June.**

Meanwhile, the number of adults in the UK who own additional properties has more than doubled since the Millennium to around 5.5 million.

A key driver of the growth appears to have been the buy-to-let property market, with the number of buy-to-let mortgages having seen a 15-fold increase since 2000.

Since 2008, the number of people in the UK owning rental properties has increased from around 1.2 million to approximately two million.

In contrast, the figures from the Resolution Foundation found that the proportion of the UK population who own their own homes has fallen from a high of 71 per cent in 2003 to 64 per cent in 2014-16.

Owning a second home as an investment is a dream for many, but this dream can quickly feel like a nightmare if the purchase, letting and eventual sale of a property isn't handled correctly. For advice on your property portfolio, please contact us.

# Number of landlords declaring unpaid tax rises

**The latest data has revealed that 16,110 landlords declared unpaid tax during 2018/19 – up from just 6,600 in 2017/18.**

Due to the number of landlords declaring unpaid tax, HM Revenue & Customs managed to recover £42 million in total during this period up from £21 million during the previous year.

Much of this unpaid tax relates to undeclared rental income and comes as the result of HMRC's promotion of its Let Property Campaign, which has encouraged landlords to be open and honest about unpaid tax in return for more lenient penalties.

Launched in 2013, the campaign was originally only meant to run for 18 months but it has been extended and has continually bombarded landlords suspected of avoiding or underpaying tax with letters and notifications.

In the last year alone the number of landlords declaring unpaid tax – from 6,600 in 2017/18 to 16,110 in 2018/19.

Although the 145 per cent rise in underpaying landlords coming forward is significant, the original campaign hoped to recover up to £500 million a year from more than 1.5 million landlords that HMRC suspected weren't paying the correct tax.

In fact, only £85 million out of the anticipated £500 million in underpaid taxes has been recovered since the campaign was launched.

If you believe you have unpaid tax or are unsure about your current position in regards to tax, please speak to our tax specialists immediately.

# Poll finds lack of knowledge among landlords on lettings sector reforms

**With the Government continually introducing new policies regarding property and the way it is taxed and managed a new survey has revealed that many UK landlords are struggling to keep pace with the changes.**

Bridging lender Market Financial Solutions (MFS) has conducted research that has found around 30 per cent of landlords do not understand the changes to House in Multiple Occupation (HMO) licensing, while a further 28 per cent are not aware of the abolition of Section 21 eviction notices.

The study also shows that 27 per cent are uncertain about the tenant fees ban, while an additional 19 per cent understand the changes, but don't know what they will mean for them and their business.

More worryingly, 28 per cent do not comprehend the reforms to Inheritance Tax that have changed the tax-free allowance on properties being passed down, with a further 25 per cent struggling with the reforms on mortgage interest relief.


"The legislation and regulation governing the UK's rental market are constantly evolving, and today's research clearly shows that landlords are struggling to keep pace with the change. From HMO regulations to the abolition of Section 21, these are significant reforms that, for the most part, are rightly designed to protect tenants," said Paresh Raja, Chief Executive Officer of MFS.

"Nevertheless, there's evident frustration among landlords who feel they are being unfairly targeted, particularly when it comes to the stricter taxes being introduced.

"It's essential that anyone renting out a property, even if they would not consider themselves a landlord, understands all the new reforms and takes action to ensure their properties meet the necessary standards and their finances are structured in line with the new reforms,"

The nature of the property industry is constantly changing, which can make planning for the future extremely difficult. At Grunberg & Co, we have our finger on the pulse of property legislation and can help you to adapt your plans to meet these ever-changing requirements.