

April 2024

Property Newsletter

Welcome to our monthly newsletter for property landlords. We hope you find this informative.

Budget 2024: Key measures for property landlords

The UK Spring Budget took place on 6 March 2024. Several measures were announced that are of particular relevance to property landlords.

Capital Gains Tax

Gains on disposals of residential property made on or after 6 April 2024 will be subject to a main capital gains tax (CGT) rate of 24%. Prior to this date, such gains were subject to CGT at 28%. The main rate applies to gains on disposals of residential property that fall above a taxpayer's basic rate band. If, after all the taxpayer's other income has been taxed, there is basic rate band remaining, any portion of residential property gains falling within the band will be taxed at the lower residential property CGT rate, which is not being changed and remains at 18%.

It should also be remembered that the CGT annual exempt amount will drop from £6,000 to £3,000 from 6 April 2024.

Stamp Duty Land Tax

Stamp Duty Land Tax (SDLT) applies in England and Northern Ireland; other devolved land taxes apply in Wales and Scotland. The abolition of multiple dwellings relief (MDR) is a key change to SDLT and will apply to land transactions with an effective date on or after 1 June 2024.

Multiple Dwellings Relief (MDR) is a relief currently available when buying two or more

dwellings in a single or series of linked transactions. It works by dividing the total amount paid for the properties by the number of dwellings, working out the tax due on that figure, and then multiplying the amount of tax by the number of dwellings. The relief carries a minimum rate of tax of 1% of the total amount paid for the dwellings.

Transitional rules apply to the abolition, so that MDR can still be claimed in some situations where contracts were exchanged on or before 6 March 2024, regardless of when completion takes place. There are exclusions in place though, including that there can be no variation in the contract after 6 March.

Furnished Holiday Lettings

Perhaps the most attention-grabbing headline from Spring Budget was the news that the concept of Furnished Holiday Lettings (FHLs) will be abolished from 6 April 2025. This is not good news for those who currently operate FHLs because it means that considerable tax benefits unique to FHL businesses will no longer be available.

Currently, the following tax advantages are available to FHLs:

- Interest incurred on borrowings is fully deductible against taxable profits;
- Beneficial capital allowances rules allowing tax relief for fixtures;

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- Various capital gains tax reliefs, including the potential for business asset disposal relief (10% rate on the gain), rollover relief and gifts hold-over relief
- Profits from FHLs can be treated as relevant earnings for pension purposes; and
- Income from a FHL held jointly by a married couple or civil partners is not caught by the default 50:50 split for income tax purposes.

At the time of writing, the details of the abolition are unclear because we are waiting for draft legislation to be published. It has, however, been announced that the legislation will include 'anti-forestalling' measures that will prevent obtaining a tax advantage by using unconditional contracts to secure the CGT reliefs for FHLs before the regime is abolished.

If you own an FHL, there will be considerable tax implications, so planning will be key. Once we are party to the draft legislation we will be able to assist you with your planning.

Scotland: Housing Cladding Remediation

The Housing (Cladding Remediation) (Scotland) Bill was introduced on 1 November 2023. It aims to address the direct or indirect risks to human life created or exacerbated by external wall cladding, by facilitating the delivery of the Cladding Remediation Programme. The Programme's scope is limited to multi-residential domestic buildings and is intended to prevent tragic events such as the fire at Grenfell Tower in 2017.

A recent report by the Local Government, Housing and Planning Committee states that

while the risk of fire is relatively low, "the issue of cladding has consumed people's lives, causing long-term worry and stress about the safety of their homes and is having a financial impact on owners who are unable to sell or remortgage their properties."

"Of the 105 buildings within the Scottish Government's cladding remediation programme, only one has yet had any remediation works carried out, and only one has had mitigation works, although the Scottish Government has committed to ensuring that all 105 buildings are on a pathway to a single building assessment by summer 2024. In contrast, as of December 2023, in England 1,608 buildings (42%) have either started or completed remediation works. Of these, 797 buildings (21%) have completed remediation works."

The full report can be viewed [here](#).

Wales: Housing Market Forecast

Recent analysis published by Savills UK shows that the Welsh housing market is expected to considerably outperform the rest of the UK over the next five years.

The expectation is that Welsh house prices will drop slightly in the first part of 2024, and will start to rise in the second half, with 21.4% value growth predicted over the next five years until 2028.

More information can be found [here](#).