

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

Bank of England interest rate: potential impact on mortgages

On 9 May 2024, the Bank of England announced that the interest base rate will be held at 5.25%. The governor has said that he is "optimistic that things are moving in the right direction" but needs to "see more evidence" of falling inflation before cutting the interest rate. The next Bank of England decision on interest rates is expected on 20 June 2024. Inflation, economy growth and employment numbers are just some of the factors that affect the bank's decision. The base rate affects consumer interest rates; a higher base rate means a higher return for savers but increases the cost of borrowing. The bank has been tasked with getting inflation down to 2%. It is thought that by keeping the base rate high, borrowing will remain more expensive, which will reduce consumer spending and, in turn, inflation.

The base rate has been held at 5.25% since June 2023. Since then, mortgage rates have decreased, although an unexpected rise in inflation in January 2024 prompted some lenders to reverse some of the rate cuts.

It is thought that the recent spate of mortgage rate rises has peaked, because the bank also announced that the inflation rate is heading in the right direction and is predicted to fall below the 2% target in the coming months.

Forecasters are assuming that a cut to the base rate will be announced in June, which in should result in better mortgage deals.

Construction Industry Scheme: 2024/25

HMRC's recent Agent Update 118 summarised several changes to the Construction Industry Scheme (CIS) that took effect from 6 April 2024.

The first change adds compliance with VAT filing and payment obligations to the compliance test for gaining and retaining Gross Payment Status (GPS). In addition, the grounds in which HMRC can immediately cancel GPS in cases of fraud will be extended to include VAT, Corporation Tax Self Assessment (CTSA), Income Tax Self Assessment (ITSA) and PAYE (Pay As You Earn). If HMRC has grounds to suspect that the GPS holder has fraudulently provided an incorrect return or incorrect information in relation to any of these taxes, GPS can be immediately removed.

Secondly, where certain conditions are met, landlord to tenant payments for construction work will be outside the scope of CIS.

Finally, from 6 April, subcontractors are no longer able to register for the CIS or apply for GPS over the telephone, unless they are digitally excluded (i.e. they are unable to use computers due to disability, old age or religious reasons). A new digital form for subcontractor registration and GPS applications will be introduced. Supporting evidence can be uploaded and

there will be the ability to save and return to applications.

Agent Update 118 can be viewed [here](#).

General election on 4 July 2024: What does this mean for property landlords?

The Prime Minister, Rishi Sunak has called a general election for 4 July 2024. It is worth considering what the general election means for those who rent out property.

The biggest implications will be for those who own furnished holiday lets (FHLs). In the March Spring Budget, the Chancellor announced that the FHL regime will be abolished from 6 April 2025. To date, no further details have been provided. In the short-term, it is likely that we will not see any further detail from HMRC before 4 July, because the announcement of the general election has triggered a six-week 'period of sensitivity' (previously known as 'purdah'), during which government departments must refrain from making any politically sensitive announcements.

The other, and possibly the most crucial, question concerns whether a Labour government would proceed with the plans to abolish the FHL regime. To date, Labour have not commented on the plans, so we cannot be certain, but as the abolition was originally suggested in a report by the now defunct Office of Tax Simplification, it is likely that a Labour Government would also look to abolish the FHL regime.

The Housing (Scotland) Bill

Consultation on the Housing (Scotland) Bill was published in March and closed on 17 May 2024.

The proposed legislation, the explanatory notes for which can be viewed [here](#), provides for the following:

- The requirement for local authorities to review local rental conditions at least every 5 years. The Scottish Government will have the power to designate rent control areas based on the local authorities' recommendations.
- Limits to the frequency of in-tenancy rent increases and controls on rent increases in between tenancies.
- New rights for tenants to make certain changes to the property and keep pets.
- The requirement for local authorities and social housing groups to take actions to tackle homelessness.

The main aim of the bill is to keep people in their homes and prevent homelessness.