

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

## **Spotlight 69: Another tax loophole closed**

HMRC have published Tax Avoidance Spotlight 69 'Liquidation of a Limited Liability Partnership used to avoid Capital Gains Tax', highlighting a scheme used by landlords to reduce their tax liability.

These schemes typically offer a mechanism of transferring a property portfolio into corporate vehicles to reduce the amounts of Capital Gains Tax (CGT) and Stamp Duty Land Tax (SDLT) due. The schemes involve forming a Limited Liability Partnership (LLP) and transferring the property portfolio into it before entering it into a Members Voluntary Liquidation (MVL) and selling the property to a limited company that is owned by the members of the LLP.

Promoters claim that the mechanism enables the landlord to transfer properties into a company tax-free, without needing to apply CGT Incorporation Relief.

HMRC state that for MVLs entered into on or after 30 October 2024, new legislation in Finance Act 2025 means that the member transferring the property is treated as making a disposal immediately before it was contributed to the LLP, with the gains accruing at the time the asset is disposed of by the LLP.

This means that the landlord will be liable for CGT on the difference between the value paid for the asset and its market value at the date it was contributed to the LLP.

As for SDLT, the scheme's promoters claim that no liability arises on the transfers of the property into the LLP or in respect of any subsequent transfer into a limited company, due to the special SDLT rules for transfers of chargeable interests to and from partnerships.

HMRC say, however, that such arrangements will be caught by SDLT anti avoidance legislation that was introduced in 2006 in response to schemes that looked to reduce or eliminate a charge to SDLT in a way that was against the intention of the SDLT legislation.

HMRC recommend that anyone using the arrangements described withdraw and settle their tax affairs. This might involve getting independent tax advice.

## **How much council tax will you pay on a second home?**

In 2024, new legislation was introduced that allows local authorities to charge a council tax premium of up to 100% on second homes that are not used as a main residence. The new charges are set to apply from April 2025. Many local authorities, including Bath and North East Somerset Council, East Devon District Council, North Norfolk District Council, and North Yorkshire Council have already voted in favour of increasing council tax on second homes.

Some confusion exists surrounding the circumstances in which the premium can apply. Generally, a property is classed as a second home if it is furnished but not a main residence. If the property is used as a buy-to-let, the council tax is usually the tenants' responsibility. Properties that meet the definition of a holiday let are not usually subject to council tax and are subject to business rates instead.

## New AI helps with landlord decision-making

The property investment firm Lendlord has introduced LendlordAI, a collection of artificial intelligence tools aimed at assisting landlords with evaluating investments and managing their portfolios.

Lendlord say that using the immense computational power of artificial intelligence to crunch complex data will help landlords identify undervalued properties, maximise rental yields, reduce tax burdens, predict maintenance needs, and optimise financing decisions with surgical precision.

## Scotland: Possible Exemptions from Rent Controls

The Scottish Government has launched a new consultation on potential exemptions to upcoming long-term rent controls proposed in the Housing (Scotland) Bill. Landlords, tenants, and others in the rented sector are being asked for their views on circumstances where rents might be allowed to increase above the cap. This

could include cases where landlords have made significant property improvements or where rents have been consistently set below market rates. Exemptions could also apply to specific types of housing, such as mid-market rent and Build to Rent properties. The consultation also looks at clarifying rules around ending private sector joint tenancies.

Social Justice Secretary Shirley-Anne Somerville commented that the rent controls aim to provide greater certainty and affordability for tenants during the cost-of-living crisis, however the consultation is aimed at making sure the balance is right. She said: "We want landlords to have the confidence to invest and continue to provide good quality, affordable homes."

## Renters Rights Bill 2025

The Renters Rights Bill 2025 has completed its passage through the House of Commons and is now progressing through the House of Lords, making it on track to receive Royal Assent before Parliament begins its summer recess in July 2025.

The Bill seeks to abolish fixed term assured tenancies and assured shorthold tenancies. It will also impose obligations on landlords and others in relation to rented homes and temporary and supported accommodation.

The commencement date will be more than two months after the bill reaches Royal Assent. Implementation is expected to occur between October 2025 and January 2026.