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Property & Construction

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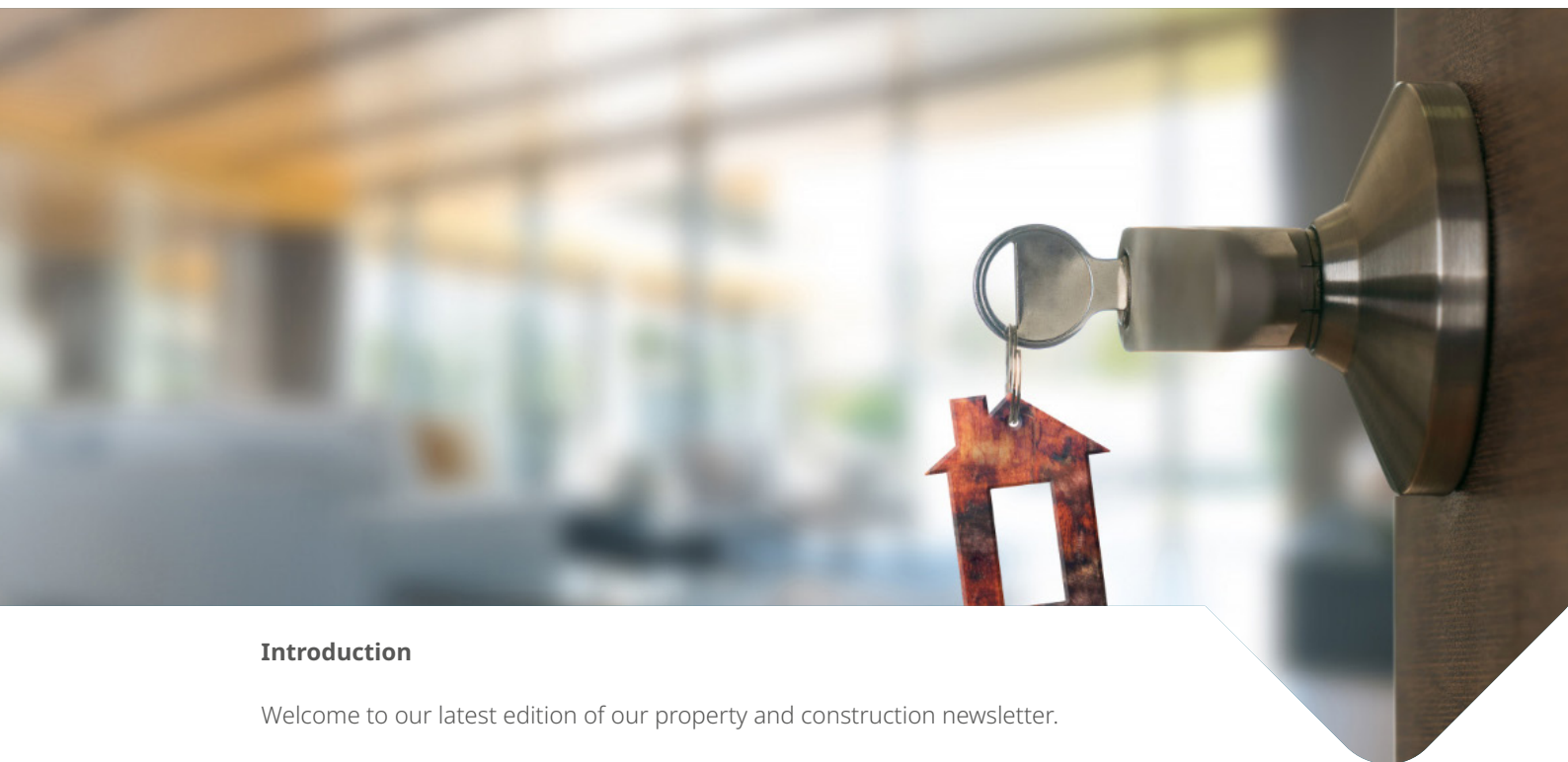


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Stephen Charles Tax Partner



Introduction

Welcome to our latest edition of our property and construction newsletter.

There currently is a lot going on in the world of property and construction with changes to rules regarding Stamp Duty and Making Tax Digital. Furthermore, inflation and changes in house prices is creating various challenges for those in the property and construction to tackle.

In this edition of the newsletter we are going to be covering the following:

- Stamp Duty Land Tax (SDLT) changes
- Labour shortages for roofing contractors
- HMRC delay Making Tax Digital by two years
- Tackling the shortage of rental properties

If you have any question about the contents of this newsletter please do hesitate to contact me using the contacts details on the back of this newsletter.

Stephen Charles
Tax Partner



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Labour shortages for roofing contractors

A recent survey from Glenigan of more than 100 members of the National Federation of Roofing Contractors (NFRC) has found that roofing and cladding contractors are still struggling with recruitment issues in the third quarter of 2022. But, this survey does confirm that this issue has slightly eased since the start of the year with 51% of firms saying that they are experiencing recruitment issues in the third quarter of this year, compared to 61% in the second quarter.

Are there certain roles that are difficult to recruit for?

The survey found that roof slaters and tilers were the most difficult tradespeople to recruit with 35% struggling to recruit tradespeople with these skills. This was an increase of 8% compared to the previous survey.

- 23% found difficulty recruiting built-up felt roofers.
- 20% found difficulty recruiting general labourers.

Staff retention is also an issue

Not only are these firms struggling to recruit. But 32% said that they are struggling to retain new starters.

Are these recruitment issues affecting productivity?

One anonymous respondent to the survey said that with enough staff their firm would be able to double its output.

The overall results of the survey found that contractors' workload increased by 32% in the third quarter in Great Britain. Furthermore, the direct headcount of employees in the sector increased by 4% in the third quarter. However, enquiries decreased by a balance of 7% in the third quarter. This was the first time this figure has been negative since the survey first began in 2020. This could be pointing towards a slowdown in workload in the not-too-distant future. Therefore, recruitment may become less of an issue if this slowdown in the market continues.



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Stamp Duty land Tax (SDLT) Changes

The Government in the mini-Budget announced Stamp Duty Land Tax ("SDLT") cuts to help first-time buyers and next-move homeowners purchase properties. These changes were effective from 23 September 2022.

Unlike many of the other proposed tax changes, these cuts weren't reversed by the new Chancellor in the Autumn Statement, although it was announced that they are now only temporary until 1 April 2025.

What are the SDLT cuts?

Under the new rules, those that only own 1 property will pay no SDLT on the first £250,000 of the property purchase price. The previous threshold was £125,000 so it is a considerable increase that will allow more people to purchase homes without paying any SDLT.

Effectively the 2% rate which previously applied between £125,000 and £250,000 has been abolished. So for those buying a property for more than £250,000 they will save £2,500.

If you would like to calculate your potential SDLT liability [please use this online calculator](#).

What about First-Time buyers?

For first-time buyers, there are even more SDLT relief measures. Purchasers eligible to claim first-time buyers' relief have special rates. From 23 September 2023 until 1 April 2025, they pay zero SDLT on the first £425,000 (previously the threshold was £300,000) and 5% on the remainder, but for no more than a further £200,000.

Where the chargeable consideration exceeds £625,000, no first-time buyers' relief is available and standard rates are payable instead.

So a first-time buyer can buy a property for up to £425,000 and pay no SDLT.

HMRC delay Making Tax Digital by two years

What is being delayed?

HMRC has announced that plans to implement digital tax reporting for unincorporated businesses and self-employed individuals and landlords in April 2024 will be delayed until April 2026.

Why has MTD been delayed?

HMRC have said that businesses and self-employed individuals are going through difficult economic circumstances at this moment in time. The transition to MTD is a significant change for individuals and businesses. Therefore, HMRC believe it will be beneficial to everyone to delay the implementation of digital tax reporting for small businesses and self-employed individuals and landlords. This will now be introduced in April 2026 instead of April 2024.

Who is affected by this announcement?

Self-employed individuals and landlords with annual business or property income above £10,000 will be affected by this announcement. These individuals will no longer need to follow MTD Income Tax rules from April 2024. This delay means that these individuals will now have at least an additional two years to prepare for the switchover.

Self-employed individuals and landlords with income over £50,000 will be mandated to join from 2026. Those with income over £30,000 will be mandated from April 2027.

The government will review the needs of smaller businesses, particularly those under the £30,000 threshold, before announcing any further requirements.

What about Partnerships?

The government will not extend MTD for ITSA to general partnerships in 2025 as previously planned. This will now follow at a later date.

This is excellent news and we are pleased that HMRC has listened to feedback from the public and professional bodies.

[For more information, you can read the full government statement here.](#)



Tackling the shortage of rental properties

Introduction

According to a recent survey conducted by the Leaders Romans Group, the shortage of rental homes in the UK will continue throughout 2023. Figures published by Zoopla have found that demand for rental homes is at its highest level in over a decade. This increase in demand is compounded by the lack of supply which is driving up prices for those who rent. To demonstrate this, the number of rental homes available to rent is 38% below the five-year average. Whilst rental enquiries are 46% above average. This is causing serious concerns and fears that a growing number of people will be left homeless.

Why is there a shortage of rental properties?

Many amateur landlords have recently decided to withdraw from the rental market. This is because there has been an increasing amount of stringent regulations that private rented sector landlords need to follow. Furthermore, the government has expressed its desire to reduce the number of people renting through the private sector. The problem is that it is becoming more difficult for the general public to purchase their first home in times of economic uncertainty. This has caused house prices and mortgage interest rates to increase. This has resulted

in affordable housing becoming more difficult to buy. Therefore, more people are looking to rent a home rather than buy at this time resulting in an increase in demand.

What is the solution to the housing crisis?

In the current economic climate, the housing crisis is made worse by the increasing regulations on private rented sector landlords. This has resulted in more landlords pulling out of the sector reducing the supply or increasing their rent which will make it more difficult for tenants. At this time, increasing the supply of rental properties on the market should be a priority because getting onto the housing ladder is extremely difficult for first-time buyers in the current climate.

Conclusion

To conclude, whilst it is important to get more people on the property ladder and owning their own home, unfortunately the current state of the economy is driving up house prices and mortgage interest rates. This is making it difficult for first-time buyers to get on to the housing ladder. Therefore, more people are choosing to rent and landlords need to be encouraged to put their properties back onto the market to ease the supply shortage.



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HMRC VAT option to tax: changes to the notification process

HMRC will no longer issue option to tax notification receipt letters from 1 February 2023.

Supplies of land and buildings are normally exempt from VAT, but it is possible to opt to tax the land/property which may allow some recovery on expenses if VAT is charged on the supply.

Notification of an option to tax (OTT) is usually sent to HMRC via an email, to optiontotaxnationalunit@hmrc.gov.uk

From 1 February 2022, the only receipt provided by HMRC for an OTT will be the automated email response provided when a notification is sent to the above email address.

Businesses should keep this automated response as part of their VAT records. The date on the response will confirm the date that HMRC has been notified. The responsibility for ensuring the OTT notification is correct and valid remains with the opter. It is important to include the property address in the subject line of the email.

Confirming existing OTT notifications

HMRC have confirmed that it will no longer process requests asking for confirmation of the existence of an OTT, except if:

- The OTT date is over six years ago
- The request is made by a Land and Property Act receiver or insolvency practitioner, to administer the property in question

If these conditions are met HMRC must be provided with:

- Name of the opter of the property
- VAT registration number
- Full address of the property and effective date of OTT
- Date VAT was first charged on the property
- Date the property was acquired

Get in touch



Property & construction experts

Hawsons has a dedicated team of specialist property and construction accountants in Sheffield, Doncaster and Northampton.

Having an accountant who understands the challenges of this dynamic sector and is able to help you plan for the future is an advantage in a competitive environment. At Hawsons we have a great deal of experience in advising and helping businesses in property and construction and we can assist you as your business grows.

Our in-house tax team has advised in many aspects of taxation specific to the property investor including in the areas of VAT, Stamp Duty Land Tax, Capital Allowances, Income Tax, and Corporation Tax and Capital Taxes.



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