

# PROPERTY LEGISLATION IN 2020

Our guide to changes this year



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# PROPERTY LEGISLATION IN 2020

As we enter a new decade, the one thing we can be certain about in the private rental sector is that uncertainty seems to be the only certainty. For us and yourselves as landlords to succeed this decade, we must all stay on top of any new legal and regulatory requirements governing the property management approach and the standards of the rental properties themselves. We will look at what new legislation is coming into effect this year.





# HOMES (FITNESS FOR HUMAN HABITATION) ACT 2018 EXTENDS TO MORE TENANCIES



We refer to this piece of legislation as the 'Homes Act'. The Homes Act ensures landlords maintain rental properties which are 'fit for human habitation'. Should the property not be up to regulation, the tenant may be able to take their landlord to court. Guidance from the Government website states that "The court can make the landlord carry out repairs or put right health and safety problems. The court can also make the landlord pay compensation to the tenant."

While the Homes Act had come into force in March 2019, only tenancies commencing after 20 March 2019 were covered by the new law. This included tenants who sign a new tenancy agreement for a home they currently live in, or a new home, or whose tenancy becomes a periodic tenancy on or after 20 March 2019.

The Homes Act will extend to almost all tenancies on 20 March 2020. Apart from tenants whose private tenancy had started before 19 March 2019 and is still within the fixed term, all can use the Homes Act regardless of when their tenancy commenced. Landlords should already be well aware of the Homes Act and the Human Health and Safety Rating System (HHSRS). The HHSRS sets out 29 types of hazards in unsafe homes. Make sure all your properties are free of such hazards by taking a proactive maintenance approach.

# HOMES (FITNESS FOR HUMAN HABITATION) ACT 2018 HAZARD LIST

Here is a list of the 29 Hazards:

1. Damp and mould growth
2. Excess cold
3. Excess heat
4. Asbestos and MMF
5. Presence of biocides
6. Carbon monoxide and fuel combustion products
7. Presence of lead
8. Presence of radiation
9. Uncombusted fuel gas
10. Volatile organic compounds
11. Crowding and space
12. Entry by intruders
13. Inadequate natural lighting
14. Excessive exposure to noise
15. Domestic hygiene, pests and refuse
16. Food safety
17. Sanitation and drainage problems
18. Water supply
19. Falls associated with baths
20. Falls on a level surface
21. Falls associated with stairs and ramps
22. Falls between levels
23. Electrical hazards
24. Uncontrolled fire
25. Flames, hot surfaces and materials
26. Collision and entrapment
27. Explosions
28. Poor ergonomics
29. Structural collapse and falling elements



# THE ELECTRICAL SAFETY STANDARDS IN THE PRIVATE RENTED SECTOR (ENGLAND) REGULATIONS 2020



This piece of legislation has now been published in draft form and must now be approved by each House of Parliament. If approved in current form, the regulations will commence 1 June 2020 for new tenancies granted on or after that date and from 1 April 2021 for all existing tenancies. The regulations apply to England only.

Landlords must ensure every fixed electrical installation is inspected and tested at least every five years by a qualified person. The Regulations also state that a landlord is required to obtain a report of the results of the inspection and test, supply it to each tenant within 28 days and retain a copy until the next inspection is due.

The Regulations require local housing authorities to enforce the rules and they have the power to arrange remedial action. Proven breaches of the Regulations can result in the local housing authority imposing a financial penalty of up to £30,000.

# DOMESTIC MINIMUM ENERGY EFFICIENCY STANDARD (MEES) REGULATIONS GRACE PERIOD ENDS



The MEES regulations set a minimum energy efficiency level for private rented properties in England and Wales. The regulations came into effect in April 2018 with a grace period of two years for tenancies which had started before 1 April 2018.

This means that on 1 April 2020, all rented properties must meet the MEES, which is currently a rating of "E" on a valid Energy Performance Certificate (EPC). Failure to comply can result in steep fines (up to £2,000 at the first compliance notice and up to £5,000 if the property continues to be rented for over three months). It is more cost-effective, and better for the environment, for landlords to pay for energy efficiency improvement works.



# TENANT FEES ACT 2018 TRANSITION PERIOD ENDS



When the Tenant Fees Act 2018 came into effect on 1 June 2019, a grace period of one year was put in place allowing tenancies which had started before that date to smoothly comply with the new rules. This is coming to an end on 1 June 2020, meaning the Tenant Fee Ban will become binding on all tenancies.

While periodic tenancies do not need to have their deposit amount adjusted, deposits for new fixed-term tenancies should be capped as set out by the Act, which is five weeks' rent where the annual rent is less than £50,000 and six weeks' rent where the annual rent is £50,000 or more



# LANDLORD INCOME TAX RELIEF



Former Chancellor George Osborne's introduced this legislation to gradually reduce landlord income tax relief over four years, starting from 6 April 2017 until it's fully phased in on 6 April 2020. The new rules were intended to level the tax playing field between homeowners and investors by reducing the income tax relief that landlords can claim on their rental property, such as mortgage interest, interest on loans to buy furnishings and fees incurred when taking out or repaying mortgages or loans.

From April 2020 to 2021, 100% of financing costs incurred by a landlord will be given as a basic rate tax reduction. The final phase reduces the percentage of finance costs deductible from rental income to 0% and raise the percentage of basic rate tax reduction to 100%. This means that from April, landlords will have to pay income tax on the full amount at the basic tax rate of 20%, with the option to claim back 20% of mortgage interest costs as credit.

# CAPITAL GAINS TAX RELIEF



Capital gains tax is payable when you sell a property that is not your main residence. In the 2020/2021 tax year, starting on 6 April 2020, capital gains tax is likely to increase significantly for landlords. The tax amount payable is calculated by deducting any private residence relief and lettings relief from your capital gained from the sale of a property.

For the most up-to-date guidance on private residence relief and lettings relief, check out [GOV.UK](https://www.gov.uk). It is crucial to seek professional advice when working out your tax liability. You could end up owing the HMRC tens of thousands of pounds if you fail to understand your tax liability correctly before the sale of a property.





# LOOKING INTO THE FUTURE



The Renters' Reform Bill formed part of the Queen's Speech when the new Conservative government was formed, in this bill it was mentioned that Section 21 notices are to be scrapped. Repealing Section 21 legislation will mean that tenants can only be evicted if there's a legal reason to do so.

However, to mitigate the burden on landlords, the government also proposes reforming the grounds for possession under the Section 8 process as part of the Renters' Reform Bill to give landlords more rights to repossess if they have a legitimate reason to do so. This includes new grounds for landlords to issue a notice if they want to move into or sell the property, along with enhancements to the process for when a tenant breaks the terms of the tenancy.

Also included in the Renters' Reform Bill is a promise to introduce lifetime deposits for tenants. The new scheme is intended to improve the rental experience and affordability for tenants when moving to a new tenancy.

A second reading of the Renters' Reform Bill has not been confirmed yet, so it's unlikely that any changes will come into effect before late 2020/early 2021.

The Housing Secretary announced on 4 January 2020 that the government's model tenancy contract will be revised to end the ban on well-behaved pets in rental homes. This shift is intended to improve the quality of life for responsible tenants by encouraging landlords to review the right to keep a pet on a case-by-case basis rather than applying a blanket ban on pets.

# CONCLUSION

# END

Currently, there are over 170 pieces of legislation when renting out a property in England, this is only going to increase over time and on the whole, is to improve the standards and the safety for the tenants. It is imperative to stay compliant as the fines and penalties are huge, we will always inform you of when there are changes to existing laws and new legislation.

Thank you for taking the time to read our guide. If you would like any advice on the management of your property or how we can help you stay compliant please get in touch with us.

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