

## R3 BRIEF LEGAL UPDATE #4



### Executive Summary

R3 is delighted to publish its fourth legal newsletter in its effort to provide updates twice a year on any relevant information that affects tenants and their rights. In this newsletter, we look at:

#### Stamp Duty Land Tax



The legislation hasn't changed but the deadline for submitting and paying the tax has on 1 March 2019. It is now 14 days from the effective date, not 30.

#### New electric safety standards?



The Housing and Planning Act 2016 has come into force in October of this year and brings with it indications that regulations for electrical safety on rented accommodation will come into being over the next 12 months.

#### Holding deposit – practical considerations



New time limits on holding deposits and the new Act bring with it some responsibilities on the part of the tenant to complete paperwork in a timely manner.

## Stamp Duty Land Tax

### What is it?

Stamp Duty Land Tax (SDLT) is sometimes payable by tenants on leases where the net present value of the rent over the term of the lease is greater than £125,000. It is currently charged at the rate of 1% on rent over and above that threshold. Tenants, not landlords or agents, are responsible for preparing, submitting and paying stamp duty land tax.

### So, what's new?

Up until 1 March 2019, tenants had 30 days from the effective date (normally when the contract becomes binding) to file and pay SDLT.

From 1 March 2019, the filing and payment deadline changed to just **14 days**. A penalty of £100 is payable for late submission of a return, rising to £200 if the return is more than three months late.

### Duty to keep records

Tenants must keep records relating to SDLT returns for six years. Records can be retained electronically and must be passed on to tenants on assignment of the tenancy.

The records to be kept include:

- the tenancy agreement
- records of relevant rent payments
- records relating to rent increases such as renewal document

## New electric safety standards? Possibly...

### Housing and Planning Act 2016

This has come into force on 25 October 2019 and brings us a step closer to the introduction of mandatory electrical safety checks in the private residential lettings sector.

### What will happen?

Duties may be imposed on private landlords to ensure that electrical safety standards are met in a property while a tenancy is in place. Examples may include:

- Five yearly mandatory electrical installation checks
- Visual checks of the safety of the electrical installation by landlords at a change of tenancy

- A report to be issued to the landlord which confirms that an EICR has been completed along with confirmation that any remedial work necessary has been undertaken satisfactorily.

### When will it happen?

We don't know yet, and with an election and Brexit still very much top of the agenda, not in the immediate future, but certainly at some point in 2020.

## Reminder on time limit on holding deposits

### TFA2019 in practice

The new Tenancy Fees Act ("TFA") has defined time limits regarding holding deposits, normally fifteen days. The deadline can be extended or shortened. This can be done in writing, or by mutual consent between the tenant and the landlord.

### Return of the deposit

If the tenancy does not proceed, the landlord must return the holding deposit to the prospective tenant within seven days either from the deadline of the holding deposit agreement date or from the date the landlord decides not to enter into the tenancy.

### Tenants' responsibilities

The holding deposit may be retained if the landlord has taken all reasonable steps to enter into the tenancy agreement before the deadline, but the tenant fails to take all reasonable steps to enter into the agreement before that date.

This places some responsibility on the tenant to complete all credit referencing checks and to review and sign the agreement in a timely manner.

The landlord can also retain the holding deposit if it is shown the tenant has supplied false information at any point in the agreement process.

As before, the landlord is entitled to retain the holding deposit if the tenant decides not to rent the property.

*We hope you enjoy our regular legal updates. Please let us know if you find them useful or if you would welcome a different format of communication for some of these important changes to areas affecting tenants and their rights – at [info@r3location.co.uk](mailto:info@r3location.co.uk)*