



PRE-BUDGET REPORT 2009



PBR - 9 December 2009

PBR 2009 represents little change for the PRS. Calls by the NLA, and other stakeholders, have been largely ignored by the Chancellor.

Contents

1	Pre-Budget Report 2009
2	What we called for
3	Key Points
4	Industry Reaction

Points of relevance to landlords:

- The 'stamp duty holiday' will end 1 January 2010, reducing the SDLT threshold to £125,000.
- The standard rate of VAT is to return to 17.5% from 1 January 2010.
- A 'Boiler Scrappage Scheme' is to be introduced, styled upon the car scrappage scheme. Residential customers upgrading a working 'G' rated boiler (to a band 'A') will be eligible for a £400 government incentive. Funding for 125,000 households has been made available. (DEFRA has confirmed that this measure will be available to the PRS – although we are awaiting confirmation of access provisions).
- Buried on page 87 of the report HMT announced another consultation into the PRS. This is to be published in early 2010 and focus on potential barriers to entry. It is likely to look at fiscal stimulus relating to institutional investment models. We are monitoring this.
- Section 5.16 of the report also confirm - what we already knew - there is to be a review of housing benefit administration.

What we called for

While our calls may not have been adopted in this statement, we have laid the ground work for further campaigning in the run-up to Budget 2010 – whoever the Chancellor may be next Spring.

Prior to PBR 2009 the NLA briefed HM Treasury and key politicians on a number of key issues including:

- **Capital Gains Tax.** The treatment of private-residential property investment for the purpose of capital gains tax (CGT). We called for changes to the classification of residential property purchased for the sole purpose of lettings to allow the application of 'roll-over relief'.
- **HMOs and Council Tax.** The need for amendments to the definition of self-contained units in relation to HMO properties and their disaggregation, in order to provide greater consistency.
- **Stamp duty land tax (SDLT).** We called for a wholesale review of SDLT with a view to eliminating the disincentive currently attached to linked purchases and portfolio acquisitions.
- **VAT.** We called for the Government to apply the minimum permitted rate of VAT (5%) to renovation and repair work carried out on residential property.
- **Resident Landlords.** In coalition with other stakeholders, spareroom.co.uk, and TV property personality Sarah Beeny, the NLA called for the 'Rent-a-Room' scheme tax free allowance to be increased from £4,250 to £9,000 pa.

The 'stamp duty holiday' will end 1 January 2010.

Key Points from PBR 2009

Tax:

- All National Insurance rates to rise by a further 0.5% from April 2011, raising £3bn a year
- VAT to return to 17.5% from 15% from 1 January 2010. No other changes to VAT
- One-off 50% tax on bank bonuses of more than £25,000
- Stamp duty holiday on certain properties to end on 1 January 2010
- Bingo duty to be cut from 22% to 20%

Economic Forecasts:

- Economy forecast to shrink 4.75% in 2009, worse than 3.5% forecast in April
- Growth of 1%-1.5% expected in 2010 and 3.5% in 2011 and 2012

Pay, Pensions and Benefits:

- Basic state pension will rise by 2.5% in April 2010
- Child and disability benefit to rise by 1.5% in 2010
- Contributions to public sector pensions to be cut by £1bn a year
- All public sector pay settlements to be capped at 1% for two years from 2011

Environment:

- £160m investment in low-carbon and renewable projects
- £200m extra investment for Warm Front insulation scheme, helping 65,000 households
- Boiler scrappage scheme for 125,000 households
- Electric cars to be exempt from company car tax for five years

Borrowing:

- 2009 forecast raised by £3bn to £178bn
- Estimated borrowing of £176bn in 2010 and £140bn in 2011, falling to £96bn in 2013
- Budget deficit to be halved by 2013
- Estimated public loss from bank bailouts reduced from £50bn to £10bn

Spending:

- Total spending in 2010-11 to rise by £31bn.
- No spending review for period after that
- Current spending estimated to fall by 0.8% between 2011-2 and 2014-5

Families:

- Free school meals to an extra 500,000 low income
- Tax rebate for installation of wind turbines and solar panels

Employment:

- Under-24s to be guaranteed work or training after six months out of work
- Training or education guarantee for 16 and 17-year-old to be extended to 2010

Business:

- New 50p tax on landline phones to pay for superfast broadband
- New 10% tax on income from patents to boost science development
- 1p increase in corporation tax for small firms to be deferred

Industry Reaction

Disappointment appears to be the key theme in response to Alastair Darling's third PBR. This year's statement has, unsurprisingly, been perceived as a more effective electioneering tool than a genuine package of economic measures.

Here is a selection of stakeholder reaction:

Liberal Democrats – 'What we needed was a national economic plan but what we got was a weak party manifesto'.

Conservative Party - 'instead of taking the tough decisions to deal with the deficit and go for growth, the PBR will see Labour choose political positioning over good government. The country needs a change of direction – and that will only come with a change of government'

Council of Mortgage Lenders (CML) – 'CML is disappointed - though not surprised - that the current stamp duty "holiday" will cease at the end of this year, as previously announced. This represents another missed opportunity. More fundamental reform of this tax, which continues to distort the housing market, is still needed. With a low number of housing transactions expected next year, it would have been possible for the Treasury to consider the introduction of revenue-neutral reform that would have removed market distortion.'

Chartered Institute of Housing (CIH) - "There are some helpful measures announced today and we should recognise Government efforts and success to stabilise the housing market. The reduction of 6.1 per cent to 3.1 per cent for average rent increases in 2010/2011 for local authority tenants will also make a difference to millions of people....We hope housing professionals will support CIH in the coming months, as we approach the next election, to send a loud and clear message to all politicians of the need to invest in housing.'

National Union of Students (NUS) – 'There is an abundance of evidence which shows that long term unemployment leaves permanent scars, and we are pleased that the Government has responded to our repeated calls to intervene early to stop young people from rotting on the dole queue.'

Energy Saving Trust (EST)– 'We welcome this initiative. There are around four million G-rated gas boilers in the UK and if these were all replaced with A-rated boilers it would save almost 4.5 million tonnes of CO2 per year, the equivalent of 830,000 household's emissions, so the scheme announced today has real promise. We also welcome the announcement that if householders produce enough energy to export back on to the grid, and that this will be tax free. This will act as a real incentive for when feed-in-tariffs come in April 2010.'

Federation of Master Builders (FMB) - 'The Chancellor's decision to increase VAT to 17.5 per cent is a serious blow for both householders and builders wanting to refurbish properties to make them greener and more energy efficient. Given the Government's stated commitment to refurbish every single home by 2030 it is very disappointing that the Chancellor has decided to increase the VAT rate. The Chancellor has missed an important opportunity today to announce a comprehensive range of targeted incentives to kick start the retrofitting market which is worth at least £3.5 billion every year.'

Association of Residential Letting Agents (ARLA) - "The Chancellor has pledged to help the housing sector and yet fails to deliver any initiatives that will make any real difference.

"The private rental sector (PRS) is expected to shoulder the burden of the UK's housing shortage, yet any specific measures to help ensure enough high-quality housing for those who need it were severely lacking from today's PBR.

"By failing to commit to extend stamp duty holiday the Chancellor is unfairly penalising those investing in buy-to-let portfolios, who have to pay Stamp Duty on the bulk price when individual buy-to-let investors pay a lower rate on the individual unit price. This acts as a disincentive on an important part of the sector.'

'What we needed was a national economic plan but what we got was a weak party manifesto'

For further information please see the NLA website www.landlords.org.uk

Or contact the NLA Communications team.

The National Landlords Association (NLA) exists to protect and promote the interests of private residential landlords. With almost 20,000 individual landlords from around the United Kingdom and over 90 local authority associates, it provides a comprehensive range of benefits and services to its members and strives to raise standards in rented accommodation. The NLA seeks to safeguard landlords' legitimate interests by making their collective voice heard by local and central government and the media. The NLA seeks a fair legislative and regulatory environment for the private-rented sector while aiming to ensure that landlords are aware of their statutory rights and responsibilities towards their tenants.

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