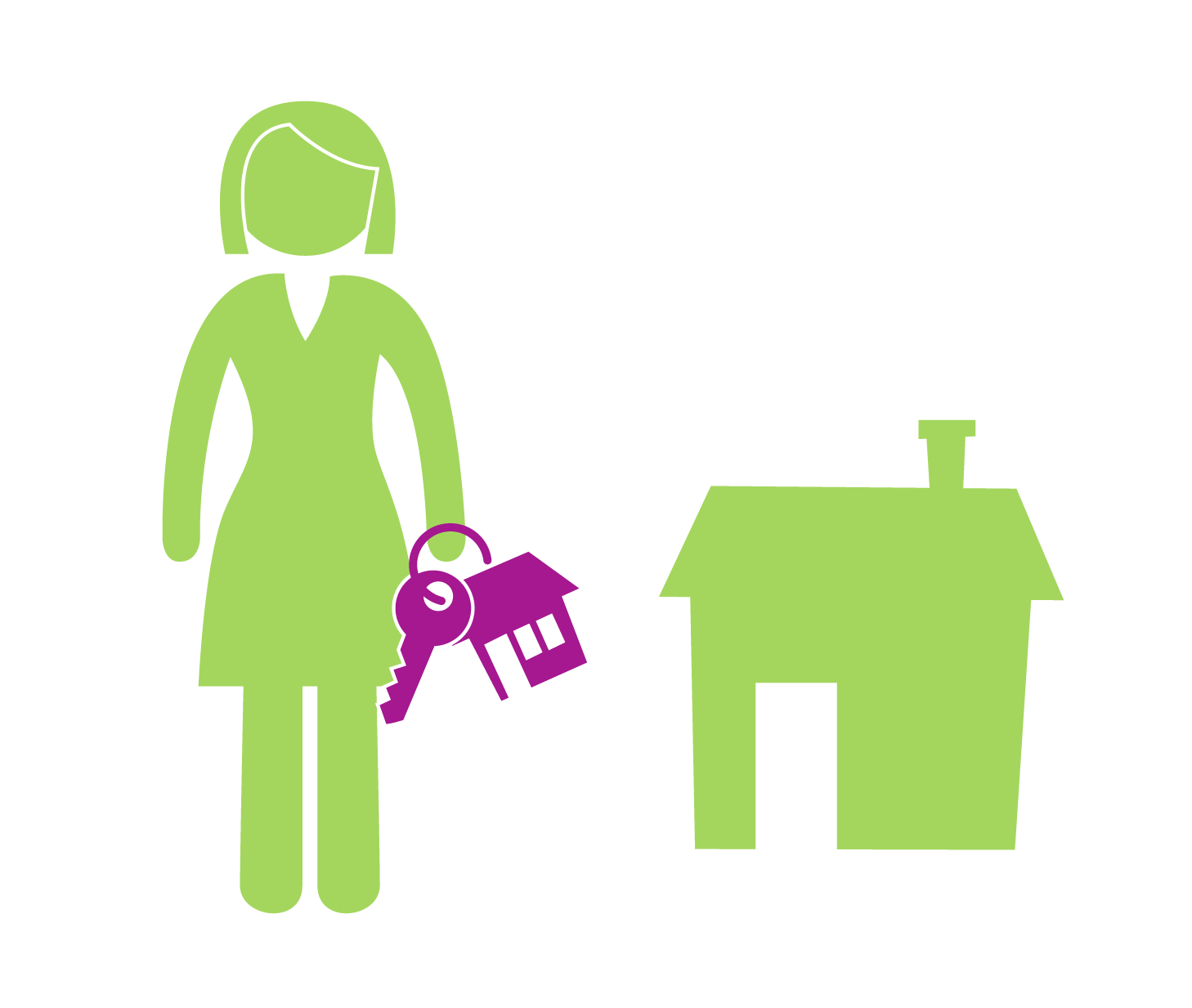
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**2. Landlord Pre-Tenancy Considerations**

**Module Content.**



2.1 Investing in a property

2.2 Letting options – Means of managing property

2.3 The relationship between the landlord and agent

2.4 Liability of landlord and agent

2.5 Permissions to let property

2.6 Energy Performance Certificate (EPC)

2.7 Insurance

2.8 Tax

2.9 Membership of a landlord association

## 2. Landlord Pre-Tenancy Considerations

### 2.1 Investing in a property

This guide is **not** a financial guide to housing investment and you should always take your own independent financial advice before making any significant investment.

**If you are an investor.**

Before you start you should always have a proper business plan that takes into account all of the necessary costs, and other factors such as:

* The cost of any management or specialist services to get the property up to standard and into the lettings market, letting expenses, advertising and professional fees;
* The level of rent to be charged;
* Who will be responsible for the property while the **landlord is away on holiday, business or is unavailable because of illness.**

**Think about the market you want to target.**

**2. Landlord Pre-Tenancy Considerations**

**2.1 Investing in a property.**

Broadly speaking there are four **private rented sector** markets:

* Benefit claimants;
* Students;
* Working families/professionals;
* Luxury lets or corporate lets at the higher end of the market.

The type and location of a property may determine the market it is best aimed at. Different markets will command different rent levels and require different living and management standards.

## 2. Landlord Pre-Tenancy Considerations

### 2.2 Letting options - Means of managing property

A key decision you have to make once you purchase a property is whether you will**manage the property yourself or engage an Agent**to act on your behalf.

**There are advantages and disadvantages to both options.**

Click on each of the images below

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**2. Landlord Pre-Tenancy Considerations**

**2.2 Letting options - Means of managing property**

A key decision you have to make once you purchase a property is whether you will**manage the property yourself or engage an Agent**to act on your behalf.

**There are advantages and disadvantages to both options.**

Click on each of the images below



**Advantage**

* There are no additional management costs.
* You have a closer relationship with the tenants at the property.

**Disadvantage**

* You must be confident that you know your legal obligations and responsibilities.
* You must be aware of best practice management methods.
* You will be the point of contact in all circumstances including out of hours.

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**2. Landlord Pre-Tenancy Considerations**

**2.2 Letting options - Means of managing property**

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Click on each of the images below



**Advantage**

* Agent markets the property, advises on rent levels, finds a tenant, undertakes reference checks, provides a tenancy agreement and moves the tenant in.

**Disadvantage**

* The agent charges the landlord a one off fee. They may also charge the tenant an admin fee.

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## 2. Landlord Pre-Tenancy Considerations

### 2.2 Letting options - Means of managing property

A key decision you have to make once you purchase a property is whether you will**manage the property yourself or engage an Agent**to act on your behalf.

**There are advantages and disadvantages to both options.**

Click on each of the images below



**Advantage**

* Agent finds the tenant and collects the rent during the tenancy.

**Disadvantage**

* All other management functions are dealt with by the landlord. Fees are likely to include the one off letting fee plus a monthly charge.

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## 2. Landlord Pre-Tenancy Considerations

### 2.2 Letting options - Means of managing property

A key decision you have to make once you purchase a property is whether you will**manage the property yourself or engage an Agent**to act on your behalf.

**There are advantages and disadvantages to both options.**

Click on each of the images below



**Advantage**

* Agent acts as a full letting and managing agent, they will deal with all management issues such as maintenance and repairs as well as letting the property.

**Disadvantage**

* Fees vary between 8-12% of the rental income.

## 2. Landlord Pre-Tenancy Considerations

**2.3 The relationship between the Landlord and Agent.**

The term ‘**agency’**is used in law to describe the relationship between the principal (in housing this is the landlord) and the agent. The principal agrees that the agent should act on their behalf in legal relations with third parties **(in housing this is thetenant and any other party that the agent needs to deal with in managing a property, for example workers undertaking repairs).**  
  
The agent also agrees to act on the landlord’s behalf. The agreement of the agent and principal **should be set out explicitly in a document,** but may be inferred from the way they do business together.

**2. Landlord Pre-Tenancy Considerations**

**2.4 Liability of Landlord and Agent.**

**Where an agent is used, actions carried out by the agent on the landlord’s behalf are generally treated in law as if they had been done by the landlord.**

Landlords are bound by any agreement or contract made by their agent on their behalf with a third party (i.e. a tenant), providing the agent is acting within the authority they have been given.

**2.5 Permissions to let property.**

**You must make sure that you have permission from interested parties to let out the property.  
  
Permissions are generally required from the:**

·         Freeholder, if the property is leasehold;

·         Mortgage Company, if there is a mortgage in place;

·         Insurance Company, to ensure that the policy in place covers “renting”.



If your interest in the property is leasehold; **the lease may contain a clause which states either that sub-letting is not permitted**or that the freeholder’s permission must be obtained prior to sub-letting.  
  
It is very important that this permission is **obtained in advance**, as the freeholder can take legal proceedings against you if the lease conditions are breached.  
  
The freeholder’s permission will generally be a formality and this permission cannot be unreasonably withheld,**but the freeholder may check that there haven’t been complaints from/about previous tenants etc.**The freeholder may make a small charge for granting their permission.  
  
If the freeholder does refuse permission, **read the lease carefully** to find out your rights before seeking the freeholder’s reasons for their refusal. It may be possible to address and satisfy any misgivings to avoid the need to take further advice or take legal proceedings.



If you have a mortgage on the property, one of the terms of the agreement may be that you will need to obtain the lender’s permission before the property is let.  
  
**Make sure that you check the terms of any mortgage**. For many buy-to let mortgages, permission to rent the property may be automatic, but even in buy-to-let mortgages **there may be conditions on the type of let permissible** e.g. ‘assured shorthold tenancies only’ or a restriction on Housing Benefit/Local Housing Allowance tenants. Seek advice from a solicitor if any of these conditions are unclear.  
  
If you propose to let the property as ‘rooms’ or bedsits which will create a **House in Multiple Occupation (HMO)** this must be made clear as **special permission** may need to be sought for this and conditions may be imposed that will need to be met.



You should always notify your insurance company if you are renting out a property, as you **will need a different type of insurance.**

## 2. Landlord Pre-Tenancy Considerations

### 2.5 Permissions to let property.

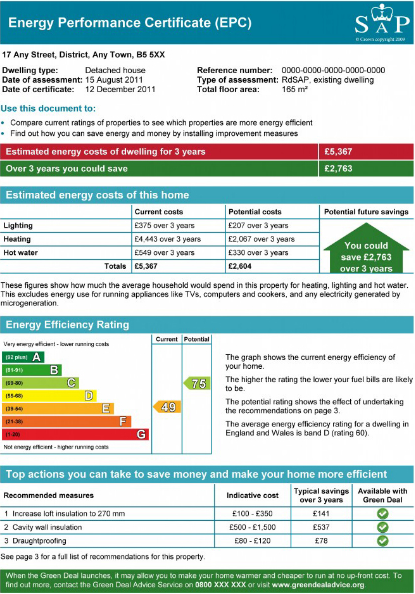


Who do you need to obtain permission from before renting a house to a single person? (Tick all that apply)

* The Mortgage Lender
* The Utility Suppliers
* All Joint Owners
* Your Insurance Provider

### 2.6 Energy Performance Certificate (EPC).

**Landlords are required to have an Energy Performance Certificate (EPC) when letting property. The purpose of the EPC is to show prospective tenants the energy performance of a property and will show its Energy Performance Indicator (EPC Rating A-E).**



The EPC shows the potential energy performance of the property and recommendations are often made to improve its energy efficiency. Currently, there is no legal obligation to undertake work in relation to these recommendations.

**2. Landlord Pre-Tenancy Considerations**

**2.6 Energy Performance Certificate (EPC).**

Once obtained, it is valid for **10 years.** The EPC should be arranged before the property is advertised.

Any **advertisement** or information provided about the property must include the**Energy Performance Indicator**.

A **full copy of the EPC** including the assessor’s recommendations should be provided to the tenant, **free of charge, before** they are given written details, arrange a viewing or agree a letting.

An EPC must be provided when the property is let as a separate (or self-contained) dwelling. **This also applies if a whole house or flat is being let to a group of sharers on only one contract.**



The full EPC should be made available at marketing/advertising

Please watch the [**Rent Smart Wales EPC video**](https://youtu.be/PsPBBXwMI3Y).

**2. Landlord Pre-Tenancy Considerations**

**2.6 Energy Performance Certificate (EPC).**

**An EPC is not required if only a single room in a house is being let or if a house is let room by room on separate contracts**. Other exceptions may apply, agents and landlords should check if an EPC is required before obtaining one.

Breaking the EPC rules can result in a **£200 fixed penalty notice**.

EPCs are completed by registered Domestic Energy Assessors (DEAs). An assessor can be found at [**www.hcrregister.com/searchAssessor.html**](http://www.hcrregister.com/searchAssessor.html)

**2. Landlord Pre-Tenancy Considerations**

**2.6 Energy Performance Certificate (EPC).**

The Energy Act 2011 introduced new provisions for improving energy efficiency of buildings through the **Energy Performance of Buildings (England and Wales) Regulations 2012**.

Under the regulations, from **April 2016**, a **tenant can apply for consent to carry out energy efficiency improvements in private rented properties**. Again, there is no current legal obligation to undertake any of these works.

**Please note:**from **April 2018**, all rented property which have a new tenancy must have an **Energy Efficiency Rating of at least ‘E’ (39-54)** and for existing tenancies by the 1**st** April 2020.

It will be unlawful to rent a property which breaches the requirement for a minimum E rating, unless there is a valid exemption. **Breaches could result in civil penalties of up to £4,000**.



Responsible landlords will implement recommendations for energy improvement where possible.

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## 2. Landlord Pre-Tenancy Considerations

### 2.6 Energy Performance Certificate (EPC).



Which of the following statements are true:

* An EPC assesment must be carried out annually
* An EPC must be made available to all prospective tenants
* You must carry out all recommendations on an EPC

## 2. Landlord Pre-Tenancy Considerations

### 2.7 Insurance.

**Why would you need insurance?**Your property is a valuable asset that will need protection in case of damage.  
  
**A landlord should normally arrange:**

* **Building Insurance** to cover the risk of damage to the structure and permanent fixtures and fittings of a building e.g. from fire or flooding;
* **Contents insurance**to cover loss or damage to household goods that have been supplied by you e.g. white and grey goods, carpets, curtains and, in the case of furnished lets, other furniture and fittings;
* If the property is leasehold, **check that the freeholder has arranged the buildings insurance**;
* If your property is in a flood risk area, you may have difficulties obtaining building insurance. If you would like to get further advice, visit the relevant section on the Natural Resources Wales [**website**](https://naturalresources.wales/splash?orig=%2f&lang=cy).
* **2. Landlord Pre-Tenancy Considerations**
* **2.7 Insurance.**
* You can secure special cover for additional risks such as the loss of rental income
* and the cost of temporary accommodation where a property has been made
* uninhabitable as a result of one of the insurable risks.
* Additional cover is also available to protect you against the tenant being injured inthe property.
* Tenants are usually responsible for providing their own contents insurance to cover
* their personal belongings.
* Think about **customising the tenancy agreement to take account of anyinsurance cover implications**. For example, if the insurance places an upper limit
* on the cost of temporary accommodation it may be worth, limiting liability to the
* insured amount within the tenancy agreement.
* **2. Landlord Pre-Tenancy Considerations**
* **2.8 Tax.**
* **Get your tax right!**Tax is an aspect of **residential property investment which is often overlooked**. There are many twists and turns to consider at all levels, whether it be for **income tax, capital gains tax or inheritance tax.** It is important to get the structure of ownership right and to make sure that all tax relief, allowances and claims are made.  
    
  It is essential that **full and accurate records** are kept of all **income and expenditure**, perhaps maintaining a separate bank account. Make sure that all of the information is readily available to allow the tax payer to claim the maximum deductions and pay the correct amount of tax. Failure to keep adequate records can result in penalties.
* 
* **How to manage your income tax?**If you are a new landlord/ property investor, HM Revenue & Customs (HMRC) should be notified immediately. Income tax is payable on profits made from the property-renting business by computing the total of rents receivable less expenses.**Tenants’ deposits do not count as income.**
* **Typical expenses which can be deducted include:**
*        repairs and maintenance (though not initial expenditure needed to bring the property up to a letting standard, or improvements);
*         gardening;
*         cleaning;
*          ground rents;
*          service charges;
*          contents and building insurance;
*          managing agent’s fees;
*          legal fees for tenancy agreements;
*          advertising;
*          HMO licence costs;
*          Rent Smart Wales registration, training and licensing costs.
* This list is not exhaustive and can vary in individual circumstances.
* A special tax allowance exists if the landlord undertakes certain improvements to the property to increase energy efficiency, known as the **Landlords’ Energy Saving Allowance (LESA).** Further details can be obtained from:[**www.hmrc.gov.uk/manuals/pimmanual/PIM2072.htm**](http://www.hmrc.gov.uk/manuals/pimmanual/PIM2072.htm)



Capital Gains Tax (CGT) is a tax on the gain or profit made when shares or property are sold, given away or otherwise disposed of. There is a **tax-free allowance** and some additional reliefs that can reduce a Capital Gains Tax bill.

The basic concept is quite simple: the final price received for the property when it is sold (after deducting legal costs and agent’s fees) is compared to the initial property cost (including any legal fees and Stamp Duty), and the profit or ‘gain’ is calculated on which tax is levied.

You may be entitled to potential deductions and tax relief. **The most important are:**

* The cost of any improvements to the property whilst in your ownership can be deducted **(but not the cost of repairs);**
* If the property has been occupied by the owner as an owner occupier at any time, there are two additional reliefs: **lettings relief, where up to a certain amount of any gain per owner can be tax free and a proportionate principal private residence relief;**
* If the property was owned in **March 1982** its value at that date is substituted for the original cost of the property in calculating the ultimate gain;
* Set value of any capital gains in a single tax year is tax-free per individual (not per property), tax only being charged on any gain above that value;
* If there are two properties which have been used as a residence (e.g. one in London and one in the country), you have the option of selecting one as a principal private residence to maximise capital gains relief. This will also reduce the potential CGT payable if one of the properties is let at any time in its ownership.
* 
* **Why is understanding Inheritance Tax important?**
* When a property is owned at the date of death, the value of that property
* forms part of the estate and is potentially liable to **Inheritance Tax (IHT).**If the property is left to a spouse or a civil partner in a will, **no** IHT will be payable until the death of the partner.



**Did you know Council Tax Liability can vary depending on the type of tenancy?**For self-contained flats or houses, the tenant is liable for **Council Tax**. Landlords should notify the local council of the name of the tenant and when they moved in.

For empty properties, the landlord is liable for Council Tax. However, the empty property itself can potentially receive a discount or exemption for up to six months. The level of discount or exemption is at the discretion of the local authority to set. To find out what discount can be claimed for empty properties in your area, please contact your local authority.

For students undertaking **full-time education** courses students can apply for exemption from Council tax. Educational Establishments will provide documentation to the student to confirm that they are a full-time student and liable for exemption. **If their tenancy agreement extends over the summer vacation, the exemption also covers that period.**  
**It gets more complicated….** If there is more than one tenancy agreement for the property (e.g. if it is divided into bedsits), the rules are more complex and will vary depending upon the policy of the council in that area and the layout of the property.

**You are advised to contact the local authority for further guidance for the following examples:**

* Bedsits;
* Non self-contained flats.

Students should be asked to provide proof of study to the landlord, where the landlord is liable for Council Tax. The landlord can then apply to the council for their exemption.

**A tenant over 18, living alone in a property, will qualify for a 25% discount from their Council Tax bill.**  
  
For your own protection, you should inform the appropriate Council Tax Service **in writing**, whenever someone moves in or out of their property, or if it is empty.

## 2. Landlord Pre-Tenancy Considerations

### 2.8 Tax.



Are full time students normally liable for council tax?

* Yes, full time students are liable for council tax.
* No, full time students are normally exempt from council tax.
* Yes, if their tenancy is for longer than six months.
* **2. Landlord Pre-Tenancy Considerations**
* **2.9 Membership of a Landlord Association.**
* **Would being a member of a landlord association benefit you?**
* Landlord associations normally hold periodic meetings which provide an opportunity to meet other landlords and discuss issues and problems.
* Through the network, ideas and procedures can be obtained to resolve problems you encounter on a daily basis.
* **Membership normally includes:**
*          A regular newsletter giving advice;
*          Updates on housing law or policy as they change;
*          The chance to make representations on proposed changes to regulations, the law or tax;
*          Discounts for services such as insurance;
*          Individual advice if there is a problem.