



# New Legislation Means Landlords to Pay Council Tax for HMOs

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On December 1st, 2023, the government introduced a new legislation amendment that will bring changes in the way council tax is charged for Houses in Multiple Occupation (HMOs). The legislation, called 'The Council Tax (Chargeable Dwellings and Liability for Owners) (England) Regulations 2023', brings two significant changes:

## 1. Disaggregation

The legislation ceased the practice of disaggregating (splitting up) HMOs to charge Council Tax for individual rooms. Councils that had previously split up HMOs were ordered to re-aggregate, making the entire unit of accommodation liable for Council Tax.

## 2. Council Tax Responsibility

The new legislation intends to band all HMOs as a single dwelling, making owners responsible for Council Tax. However, the definition of "owner" includes individuals with a material interest in the dwelling, and this includes tenants with tenancy agreements lasting at least six months. Therefore, where an HMO is let on a room-by-room basis, the landlord is responsible, but where it is let to any number of people on one agreement, the tenants are liable.

This legislation signifies a shift in the way council tax is charged and will have implications for landlords and tenants alike. It is important to note that this legislation will only apply in England, as council tax is devolved in Wales where the current disaggregation rules still apply.

## What has changed?

To put it simply, landlords will be responsible for paying council tax for HMOs starting from December 1st, 2023. These changes will not apply retroactively. Therefore, if the council tax bills have been issued for individual units in an HMO, nothing can be done for any period prior to December. However, after December 1st 2023, the HMO will be considered as a single dwelling and billed accordingly.

## How do these changes affect tenants?

The new regulations regarding HMOs have brought some positive news for tenants. Before the disaggregation process, tenants were often charged higher council tax rates for shared housing as the bills were calculated per room instead of per property. This resulted in tenants paying more than their neighbouring properties, which were not classified as HMOs. The new regulations are expected to ensure that the council tax bills for HMO tenants are calculated consistently. According to the NRLA, this announcement could save the average HMO tenant, who is currently charged council tax on a single room, up to £1,000 a year. However, as landlords are now responsible for paying the council tax bill, tenants may see an increase in rent to make up for the loss.

## What implications does this have for landlords?

The new regulations are expected to not only simplify administration for landlords but also reduce the cost of renting for tenants. This will enable landlords to offer rooms inclusive once again of council tax, making it easier for renters to budget. However, landlords must review their standard tenancy agreements to ensure they are well-equipped to deal with the changes and are able to recover any losses incurred due to this change.

## Devil is in the detail.

The government's initiative to simplify council tax calculations for HMOs is commendable as it promotes fairness and openness. However, there are certain complexities that need to be addressed to ensure that the government's positive move towards simplification is not nullified by the challenges of implementing the legislation. For instance, there is a need for clarity around the council tax status of properties that have a combination of self-contained and room lets. Moreover, tenants residing in HMOs where there is ambiguity about council tax status may still be liable to pay separate council tax bills, which could render the positive step ineffective. If landlords are uncertain about these changes, they can seek further information and guidance on [www.gov.uk](http://www.gov.uk) or get in touch with their local council for specific advice.



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