

## Upcoming changes & EPC regulations

MTD for ITSA is undoubtedly the biggest change ahead for landlords and their accountants. However, this is not the only item on the agenda for landlords over the next few years: the upcoming changes with the regards to EPC regulations present meaningful opportunities for accountants to help their landlord clients plan for the needed upgrades to their property portfolios.

It is currently estimated that rental properties will require an average investment of £9,000 to be in line with the new EPC requirements. The accountants who will be able to advise their landlord clients on how to plan and execute the investment required to upgrade one or more properties in their portfolio will be providing a high value service to their clients. This article will help you as a landlord prepare in a conversation about the upcoming changes.

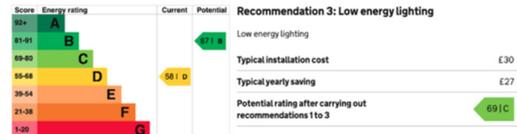
### What is an EPC?

An Energy Performance Certificate (or EPC for short) shows how energy efficient a property is on a scale between A (most efficient) and G (least efficient). An EPC must also contain:

Information about the property's usual energy consumption and costs (shown in the "Current" column in the image below).



Recommendations to reduce energy usage and spend (shown in the "Potential" column in the image below).

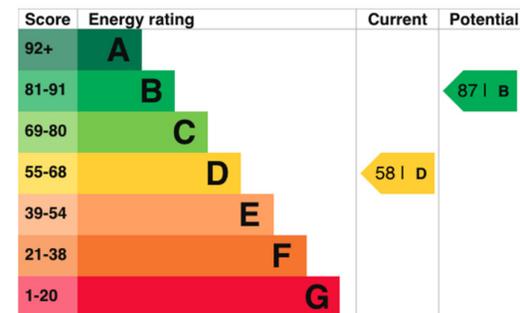


A property must have an EPC before it can be bought, sold or rented unless it is subject to an exemption. The most common exemptions for residential properties are:

holiday accommodation that's rented out for less than 4 months a year or is let under a licence to occupy  
listed buildings

residential buildings intended to be used less than 4 months a year

Most properties' EPCs can be checked on free of charge by searching the EPC register, either by address or EPC report reference number.



Changes are incoming to EPC requirements, including the minimum standards for domestic properties (see below). Being prepared in advance of these changes will save you time and money, and it will allow you to be even better prepared for any further changes in future.

Failure to prepare may lead to landlords being forced to pay either costly renovation expenses, fines or both for failure to meet government standards.

### **What are EPC ratings for?**

An EPC rating is required before a property can be bought, sold or rented.

### **How is an Energy Performance Certificate (EPC) issued?**

The landlord will need to find an accredited assessor who can carry out the test and the cost will vary by both the assessor and the size of the property. Accredited assessors can be found here on the government website: <https://getting-new-energy-certificate.digital.communities.gov.uk/>

### **What does an EPC contain?**

An EPC contains information about a property's usual energy consumption and costs as well as recommendations to reduce energy usage and spend.

### **How long is an EPC certificate valid for?**

10 years

### **What is the highest to lowest EPC rating?**

The EPC sets out the property's energy efficiency rating from A (most efficient) to G (least efficient). The minimum rating presently allowed is an E for all types of domestic and non-domestic properties.

### **What are the changes the government is looking to put in place?**

The current rating that a landlord needs to have for an EPC is an E and above, which has been in place since April 2018. This means that a property with an EPC with an F rating or lower cannot be rented out.

The government is looking to improve this minimum standard to a C rating for new tenancies by 2025 and for all existing tenancies by 2028.

### **What do the EPC changes mean for landlords?**

Landlords will now have to ensure that their rental properties meet these standards as and when they change. It is crucial to ensure full compliance with these standards as failure to reach the minimum standards or to obtain an EPC at all carry penalties enforced by the government.

### **What are the penalties for not getting an EPC?**

A property must have an EPC before it can be bought, sold or rented unless it is subject to an exemption. Failure to obtain an EPC when required makes a landlord liable for a civil penalty notice. The default penalty for failing to obtain an EPC is 12.5% of the value of the property or £750 where for any reason this formula cannot be applied. Where the formula can be applied, the minimum penalty is £500 and is capped at £5,000. These penalties are enforced by the local authority building control department.

There are also penalties where a landlord obtains an EPC below an E rating and continues to let or sell the property. These penalties will scale in line with the government's proposed requirements from 2025 and 2028