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Property Owner

Record property sales

Home sales hit their highest daily level in a decade as the housing market boom continued apace. The number of property sales agreed on Tuesday 23 March was the highest for ten years, according to analysis by the UK's biggest home listings website Rightmove. In total, just under 8,000 properties listed on the site were marked as having had sales agreed by agents. Around 95% of homes sold in the UK are posted on Rightmove, and it currently has more than one million listings across sales and rental. In addition, daily visits to the Rightmove website also smashed the all-time record. The record was surpassed when more than 9.1million potential home buyers - and window shoppers - visited the site. The previous record was set on 3 March, the day of this year's Budget. It was then that Chancellor Rishi Sunak confirmed that the stamp duty holiday, which had been due to end on 31 March, would continue with a maximum saving of £15,000 until July and then be tapered down until October. The stamp duty holiday and people reassessing their living arrangements due to the pandemic have fuelled a housing market boom since the end of the first national lockdown in summer 2020. The average home increased in value by £17,000 in the last year, according to official figures published this week, and nearly two in three properties on agents' books are currently sold subject to contract. In 2020, home-hunters spent 15.9 billion minutes on Rightmove. There were 2.1 billion visits and people sent 1.6 enquiries to agents every second. An imbalance between demand for new homes and the number of owners deciding to sell up has been fuelling bidding wars and driving up prices. This has been termed by some as the strongest sellers' market of the past decade. Some rural areas have particularly hot housing markets as buyers look to escape city life and get more space. One estate agent in Saffron Walden reported doing 18 viewings in 24 hours on a £1.2million property. Although there is still more demand than supply, Rightmove said more homes were now coming to market which could help to ease the pressure on buyers.

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Tax checklist for a new year

For better returns, proper insurance protection, and tax-saving, the New Year is the right time to take such important financial decisions relating to savings and investments. It is time to take a step back and conduct a few checks to ensure that you are on the right track with your financial goals. To do so, experts say, you need to first understand your current financial situation, and then take any corrective action, if necessary:

1) **Reviewing goals** – Set goals, if you haven't already done so. See that your risk profile, financial goals, and investment time-frame, are all in line. Checking the overall portfolio is the right time to take the help of a financial advisor, and find out how you are doing in terms of your financial goals.
2) **The right time for Tax Saving** – Most taxpayers wait to do their tax planning and then panic at the last minute. Industry experts say the starting of the financial year is the best time to start tax planning and saving for tax with the help of the right tax-saving products.
3) **Evaluating Insurance** – With the pandemic, more people have been opting for insurance, however, are you adequately covered? One can find that out based on their income and dependencies one has. For a life insurance policy, one needs to make sure the dependencies or the family are properly covered, so that the family's ongoing expenses and liabilities (if any) are covered and also fund major life goals, in case of an unforeseen event.
4) **Understand your debt situation** – This includes your money outflow towards your credit card payments, home loan EMIs, personal loans, car loans, etc. You need to keep a check on your ongoing debts and understand how much debt will be comfortable for you to take on, on a monthly basis, without any stress on your cash flows.
5) **Emergency corpus** – Most people have exhausted their emergency fund in the past year, during COVID-19. However, experts say, one should continue investing towards creating an emergency fund and keep maintaining it. If you are just starting, start with trying to accumulate 4 to 6 months of your/family's living expenses.

Parent

Child benefit mistakes

Freedom of Information figures show parents could lose at least £260 a year at retirement because of a simple misunderstanding in child support eligibility. In these couples, if the higher earner is claiming child benefit and transferring it to the lowest (or non-earner) they'll get National Insurance credits that will boost their state pension. A HMRC data request by Pensions consultancy LCP found 200,000 couples have fallen into the "wrong" parent trap - some for several decades. Expert said it could worsen the gender pay gap at retirement. In the UK, you need 35 years of National Insurance credits to get the full state pension. This is usually accumulated through wages, however, if you're a low earner or a non-earner, you can get credits when you claim child benefit for a young person under 12, instead. This means your full pension will be protected - but only if the support is in your name. Currently in around 200,000 families, the wrong person is claiming child benefit. As a rule of thumb, it should always be the lowest earner. As a result, their state pension may suffer lasting damage. Of course, not everyone will lose out. If the lower earner returns to full-time work and builds up their 35-years' service, they will still get their full pension. But if they never do, these child benefit credits could prove vital to their retirement. You need 35 years of work to get the full pension. One year short would cost someone 1/35 of a full pension every week of their retirement. This is £5 per week, £260 per year or £5,200 over a twenty year retirement. If just half of the 200,000 couples are affected in this way, the combined loss each year could be £520million in pension rights. For an individual family, if the lower earner stays at home until the child is aged four and misses out on four years of credits, they will miss out on over £1,000 per year on their pension - or over £20,000 through their retirement.

Property Owner

Second home owners under the cosh

Second home owners face a clampdown over a tax loophole that can save them money by claiming the properties are available for holiday lets. Currently 60,000 properties classed as holiday lets are liable for business tax rather than council tax, which in the vast majority of cases currently means paying nothing at all. The Treasury said it would "ensure that owners of properties that are not genuine businesses are not able to reduce their tax liability by declaring that a property is available for let but make little or no realistic effort to actually let it out". It was announced as part of a raft of consultation documents on tax published by the Treasury which also included plans to shake up air passenger duty (APD). The holiday lets move relates to properties in England which the owner declares are intended to be made available to let 140 days in the coming year, making them liable for business rates rather than council tax. In 96% of cases, they have such a low rateable value that they qualify for small business rates relief which means they pay nothing at all. There is currently no requirement for checks to verify that the properties are actually commercially rented out. Following a consultation launched in 2018, the government said it would now legislate to tighten the rules. Also included in the series of consultations were proposals to cut down on inheritance tax red tape, reducing the paperwork families need to fill out. The government also published an interim report on its review of the business rates system - long the subject of calls for change from the retail sector - detailing responses from some firms. But a final report will not be published until the autumn.

Investor / Saver / Estate Planner

Trusts avoid overhaul on 'Tax Day'

The government has shied away from any immediate overhaul of the way trusts are taxed, stating that it will instead review specific areas on a "case-by-case" basis for now. Having consulted on how such vehicles are taxed between 7 November 2018 and 28 February 2019, the government has now published a summary of the responses, adding that these "did not indicate a desire for comprehensive reform of trusts at this stage". Once viewed as a way to shield wealth from the taxman, nowadays trusts are often used by individuals who wish to pass on assets while retaining a level of control over them. However, trusts do have some advantages relating to inheritance tax (IHT). Most transfers of assets into trusts are subject to an immediate 20% entry charge, but only if the amount transferred across within the last seven years exceeds the individual's IHT nil rate band of £325,000. Individuals can therefore set up trusts up to this amount, tax-free, every seven years. The government noted that a "significant number" of respondents to the consultation had criticised the immediate entry charge, saying this added complexity, made trust usage less attractive and produced results respondents did not consider "neutral", in terms of the tax treatment of trusts versus alternative approaches. Some added that the charges were out of step with cases where individuals either held onto the assets or made an outright gift, given that unlimited gifts can be made to other individuals before death without incurring an IHT charge. The "relevant property" regime, where a charge of up to 6% is levied on a trust every 10 years to collect an amount over 30 years that roughly aligns to an IHT bill on an individual's death, also came up. Respondents warned that some double charges could arise under the regime. They also criticised the 6% rate, arguing it should not be raised, as well as the 30-year period. Some also called for a revised system of charges for trusts that move capital to minors or young adults.

Property Owner

Top commuter villages in which to buy

Building society Nationwide last month announced its 13,000 office workers would be given the choice of where they work from. And auditing giant PwC recently told employees they can spend around half their working hours at home and end shifts early on Fridays in the summer. With other major firms also discussing a push towards flexible working, many of London's office workers could now look outside the city for a cheaper and quieter life. Now estate agents Savills has analysed property prices in village parishes within 10km of all stations within a 45 minute journey of London. The analysis, published by the Telegraph, only includes villages with top ranked primary schools in them. The top ten are:

1) Wooburn Green, Bucks
2) Thornborough, Bucks
3) Haddenham, Bucks
4) Manuden, Essex
5) Great Amwell, Herts
6) Ardingly, West Sussex
7) Lindfield, West Sussex
8) Turners Hill, West Sussex
9) Ryarsh, Kent
10) Cranleigh, Surrey

Property Owner

Stamp duty charges for overseas buyers

In a political move designed to address concerns that overseas buyers are pushing house prices beyond the means of UK residents, the Government has introduced new legislation that will add an extra 2% to the tax payable on such purchases. The Government have previously suggested that the funds raised will be used to help alleviate homelessness whilst also directly contributing to UK residents getting onto the property ladder. The new charge will apply from 1 April 2021 and affect residential purchases in England and Northern Ireland. The legislation introduces new rates of Stamp Duty Land Tax (SDLT) for purchasers of residential properties in England and Northern Ireland who are not resident in the United Kingdom. The new rates will be 2% higher than those that apply to equivalent purchases made by UK residents. The surcharge will apply to freehold property and leasehold property (where the remaining term is more than 7 years). The Government confirmed in the recent March 2021 Budget that the introduction of the surcharge will go ahead, despite the temporary "SDLT holiday". It will also be added to the existing 3% surcharge which applies to purchases of second homes. This means that if, for example, an overseas individual (or certain UK-resident companies controlled by non-residents) buys a second home, they could have to pay SDLT at a top rate of 17%. Acquiring a property within a trust can be a little more complicated and the SDLT position will usually depend on the type of trust. Beneficiaries under life-interest and bare trusts and trustees of other types of trust could also be caught by the surcharge.

Past performance is not a guarantee to future performance. You may get back less than invested.

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts and reliefs from taxation are subject to change. The FCA does not regulate tax advice.

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