

# Property Agent Matters

Opening the doors to future prosperity

## An even nicer ISA for Property Agents

Last year's Budget announcements included the introduction of a 'nicer' ISA (NISA), heralding even more flexibility for savers. Anything that helps savers save up a deposit for their first home is always welcome for those in the property business and in this year's Budget Mr Osborne went one step further, introducing the Help to Buy ISA.

First time buyers, who are over 16, can now save for their UK home with the help of the government, if they invest in a Help to Buy ISA. For every £200 saved per month the government will add £50. The maximum deposit that can be accumulated in these ISAs is £15,000, being £12,000 contributed by the saver plus the £3,000 government bonus.

Accounts need to be opened in the four years from this autumn, but there is no time limit on saving thereafter. In addition to the monthly savings above, the prospective purchaser can make an initial deposit of £1,000. Only one account can be opened per person, but as this is not a per home limit, those buying together can double the help they receive.

As has been shown through previous policies such as the Annual Tax on Enveloped Dwellings (ATED), Mr Osborne is not a fan of supporting the purchase of high value properties. As such, the bonus is only available on

house purchases of up to £450,000 in London and up to £250,000 outside London.

### Other highlights from Budget 2015

Unsurprisingly, this was less of a Budget and more of a Party Political Broadcast, with just seven weeks to go until the General Election. Much was said about the growth of the UK economy. There were even a few carrots for the property industry; the introduction of 20 Housing Zones to 'keep Britain building' and new funding being made available for the London Land Commission to address the housing shortage in the capital.

There were pledges of public spending in various other areas too, including superfast broadband, military and blood bike charities, transport in the northern powerhouse, science and innovation,

films and video gaming, orchestras and a new horse race betting right (whatever that means!).

Tax was very much second fiddle to the positive economic news, but there were a few announcements.

The personal allowance is, as previously announced, increased to £10,600 in April 2015, rising to £10,800 in 2016 and £11,000 in 2017. The higher rate threshold is also to increase, for the first time in seven years, by more than inflation, which equates to £915 by 2017. If the government is re-elected they have made a commitment to raise the personal allowance to £12,500 and the threshold before paying higher rate tax to £50,000.

Pensions may be getting more flexible, but the lifetime limit dropped again, this time to £1m from the current

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£1.25m. On the plus side, Mr Osborne announced this would be index linked from 2018.

Tax avoidance was highlighted with the Chancellor introducing more anti avoidance measures, larger penalties for "serial avoiders" and a commitment to send out more Accelerated Payment Notices.

Entrepreneurs' Relief has been targeted again, this time to tighten the rules as to when an asset used in a business qualifies, and also to ensure individuals hold a 5% share directly in a trading company. Any agents considering incorporating or selling their business, be it a sales or lettings trade, should seek advice to ensure they don't accidentally lose out.

A personal savings allowance is being introduced for basic and higher rate taxpayers (not additional rate taxpayers), allowing £1,000 and £500 respectively to be received in interest, tax free, encouraging saving. Again, this is always a positive for those saving for a deposit.

Moving to our social lives, beer duty was cut by 1%, cider and spirits duty by 2%, although wine duty was frozen. Fuel duty was also frozen for another year, the longest duty freeze in over 20 years.

Corporation tax, as already known, reduced to 20% from 1 April 2015. A positive for those property agents operating through companies.

Then came the bombshell, the Chancellor announced that the tax return would be "abolished altogether". A new, online system is to be introduced allowing individuals to manage their own tax affairs, and upload their own information.

Given the significantly under-resourced HMRC and their ability to make frequent errors, you have to question the sense of this move (and that's not bitterness coming from a tax adviser!), but there will be a consultation with the aim being to achieve this transition by 2020. This is definitely a "watch this space" announcement.

## Stamp of Approval

A quick recap of the big news from the Autumn Statement now. The Chancellor's rabbit out of the hat in December was a radical reform of Stamp Duty Land Tax (SDLT) with the principal aim of boosting the housing market. From 4 December the calculation of SDLT on purchases of residential property changed to a progressive tax, much like the income tax system. There were no changes to the charge for commercial or mixed-use property.

I am sure that all of you working within a sales agency are well versed in the mechanics of the new system, but as a reminder:

The old system was a 'cliff edge' approach such that once the house price tipped over into the next band the new rate applied to the whole price. For example, a house sold for £500,000 would have had a SDLT rate of 3% costing £15,000, but if it exchanged hands for £500,001 the 4% rate would have applied, costing the purchaser £20,000 i.e. an extra £5,000 of tax for a £1 increase in price!

With the same example, under the new system, there will be no tax payable on the first £125,000, 2% on the next £125,000 and 5% on the remaining £250,000 i.e. total SDLT of £15,000 whether the purchase price is £500,000 or £500,001. This was a big improvement and a very welcome announcement for most, agents buyers and sellers alike.

The new progressive rates are:

<b>0 - £125k</b>	<b>0%</b>
<b>£125k - £250k</b>	<b>2%</b>
<b>£250k - £925k</b>	<b>5%</b>
<b>£925k - £1.5m</b>	<b>10%</b>
<b>Above £1.5m</b>	<b>12%</b>

The majority of people purchasing a residential property benefit from the new system, up to a price tag of £937,000, which the Chancellor estimated should cover 98% of property purchases. Those buying houses at

a higher price than this will pay an increased amount of SDLT. The tax on a £2.1m property would have been £147,000 under the old system, whereas £165,750 of SDLT will now be payable.

Overall, however, it was a tax giveaway. It is forecast to save house-buyers about £800m of SDLT per year. This should have been a boost for the residential property market and a big help for first-time buyers in particular. Have you noticed a knock on effect for the prices agreed on houses valued at just over the old band limits yet?



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