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FREEDOM

VIEWPOINT

RELEASE FREEDOM LTD

Thanks for reading our newsletter if you want to discuss any of the articles in more details please get in touch.

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Keep calm and complete on time

Expert advice for a speedy transaction

If you're looking to get your completion through ahead of the Stamp Duty holiday deadline, then talk to us. Our expert advisers can help kickstart your mortgage search to boost your chances of completing before April.

Countdown to completion

- ☐ Instruct a solicitor
- ☐ Talk to us!
- ☐ Get a mortgage in principle
- ☐ Sort your paperwork
- ☐ Book a survey

Never has the old adage 'keep calm and carry on' been as true as it has been in 2020. The whole country has admirably soldiered on and kept a cool head throughout the crisis.

But for those who are moving, it's hard to keep the stress at bay – especially in the current climate. What with getting a mortgage in principle, then appointing a solicitor, then finding a property, then getting a mortgage approval and a survey and exchanging and completing and oh also actually moving and all ahead of the Stamp Duty holiday deadline… Woah. Take a deep breath. We're here to give you the lowdown on getting your transaction completed quickly and smoothly ahead of the 31 March 2021 deadline.

Get up to speed

Despite unprecedented demand causing delays for homebuyers, getting ahead is possible. Take the example of Samira, who successfully completed on her property ahead of the deadline and saved thousands of pounds to boot.

Instruct a solicitor

Samira instructed a solicitor as soon as she had listed her property on the market, meaning they could get started on certain tasks in advance – saving time when an offer was made on her property.

Getting a mortgage in principle

She then took advice and received a mortgage in principle from her lender before starting her property search in earnest. This meant that she already had an agreement in place when she made an offer on her new home.

Paperwork, paperwork, paperwork

Samira was proactive in finding out which documents she would need to provide her solicitor with, so that she was ready to hand over all her paperwork as soon as a buyer was found. This included:

- Energy Performance Certificate (EPC), which is required by law in all home sales
- Guarantees for her oven and boiler, which would be handed over to the new owners
- FENSA certificate for the double glazing she had installed three years prior to selling
- Boiler servicing records
- Building control certificate for her loft conversion
- Property information form and fixtures and fittings form.

Book that survey

A survey isn't legally compulsory, but the costs of not having one are potentially devastating. As soon as her offer was accepted, she instructed a surveyor and forwarded a copy of the survey report on to her solicitor so that enquiries could be made about the results.

Buy to let as a private company

April 2020 marked the final stage of phased changes to Income Tax relief rules for landlords. Up until the 2016/17 tax year, landlords were able to deduct all mortgage interest payments and other allowable costs from their rental income before being taxed on the rest (tax paid depends on the landlord's Income Tax band).

Now, though, landlords are only entitled to a basic rate 20% tax credit on mortgage interest payments.

20%

Wait, so what's the difference?

Under the old system, a landlord might have made £12,000 in annual rental income but have paid £8,000 in mortgage interest. Now, let's say they were subject to the additional Income Tax rate of 40%. They would be looking at paying 40% of £4,000 – tax bill of £1,600.

Since April 2020, a landlord earning the same rental income and paying the same mortgage interest now faces paying 40% tax on the full £12,000 – i.e. £4,800 – and then deducting the 20% tax credit on their mortgage interest payments – i.e. £1,600 – leaving them with a higher tax bill of £3,200, double what they would have paid previously.

What about operating via a private limited company?

Well, that's what a lot of people have been talking about doing since the tax relief changes were announced. The new system only affects private landlords, which is why so many aspiring property investors are considering this option. If you set up and buy through a company, you'll be subject to Corporation Tax on your profits at a rate of 19%.

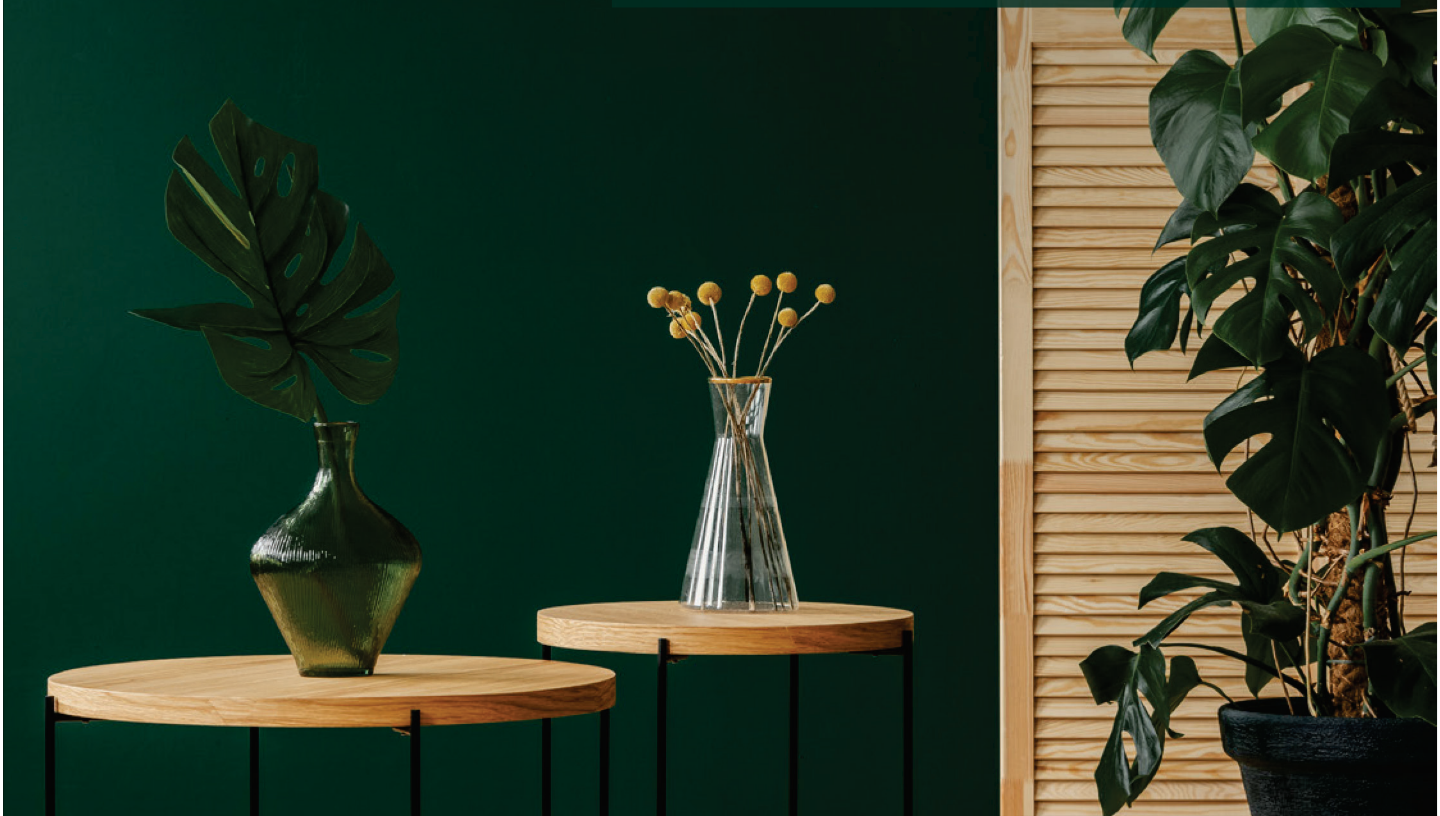
It's not for everyone

There are some downsides to operating in this way. For example, if you're trading as a company, you'll have to complete a Company Tax Return and file accounts with Companies House each year, which can be stressful to do yourself, and expensive if you hire an accountant. It can also be more difficult (and costly) to access your profits – for example, should you choose to pay it to yourself in dividends, you'll face additional tax on anything over the £2,000 dividend allowance.

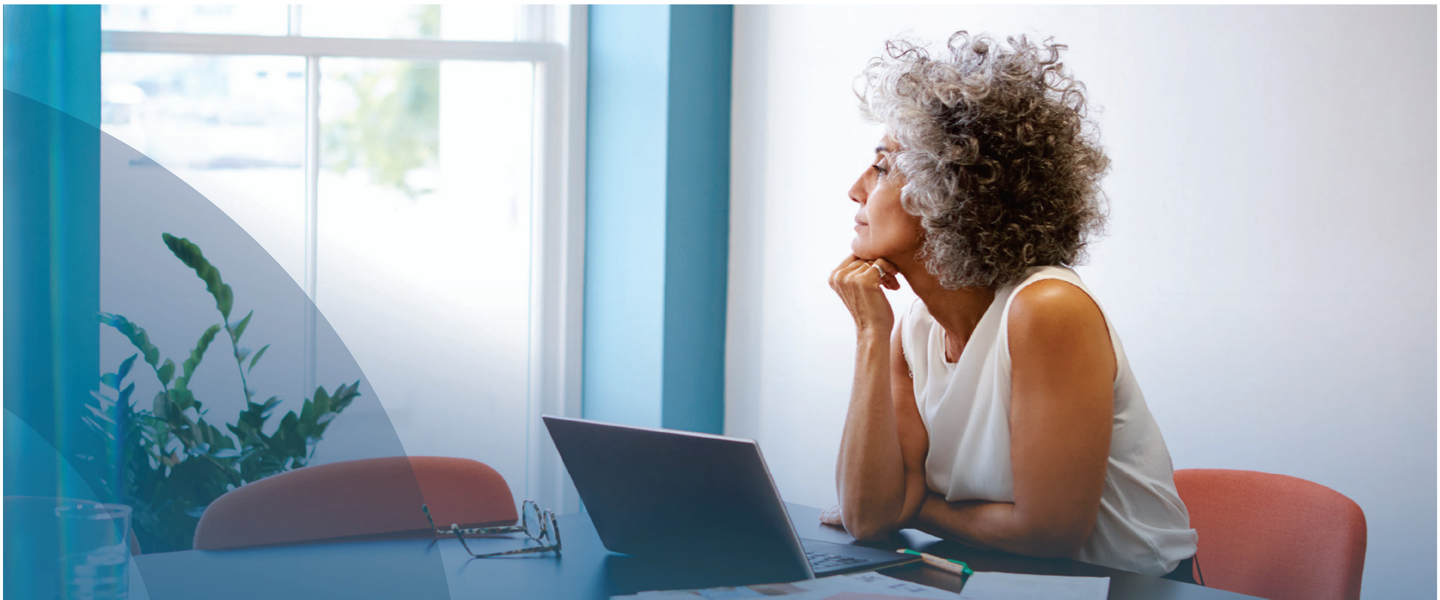
Some buy to let mortgages are not regulated by the Financial Conduct Authority

Your property may be repossessed if you do not keep up repayments on your mortgage.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.



YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE



Business Protection

You need it more than ever

Prior to lockdown, over half (51%) of businesses had some form of debt, owing an average of £176,000 each – and yet just 20% used an insurance policy as security.

To add to this already significant issue, bank lending to struggling businesses via government-backed COVID-19 loan schemes reached nearly £52bn as of mid-August – meaning that UK businesses are more heavily indebted than ever.

Business loan protection

Business loan protection provides funds to repay a business loan, commercial mortgage, or a director's loan if one of the company's owners were to die or be diagnosed with a serious or terminal illness. Essentially, this type of insurance comprises a life cover or critical illness policy taken out on the life of the business owner or key person, with the payout ensuring the business can pay its debts should the worst happen.

Most lenders require some form of security when lending to businesses; often, business owners will use their own personal wealth (e.g. their property) as security. So, in addition to their business suffering if they were to unexpectedly die or become seriously ill, their family could face serious financial hardship or even lose their home.

Director's loans

It is common for businesses to have a director's loan account, through which the director can:

— Lend money to the business to fund initial start-up costs or see it through cash flow pinch points, for example;

— Borrow money from the company that is not classed as salary, dividends or expense repayments.

According to research from Legal & General, the average director's loan totals £169,000 – and yet well over a quarter (28%) of businesses are unaware that director's loans must be repaid upon death. This means the business could collapse if there is no insurance policy in place as security.

Loss of a key person

A staggering 52% of businesses say they would cease trading within a year if they lost a key person. Losing a key member of staff can have a huge impact on the business in terms of lost profits, poor cashflow and, potentially, a change in its creditors' attitudes to outstanding debts. That's where business loan protection comes in – it can help alleviate financial pressure by paying off the company's debts and enabling the business to get back on track.

As with all insurance policies, conditions and exclusions will apply

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£176k

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