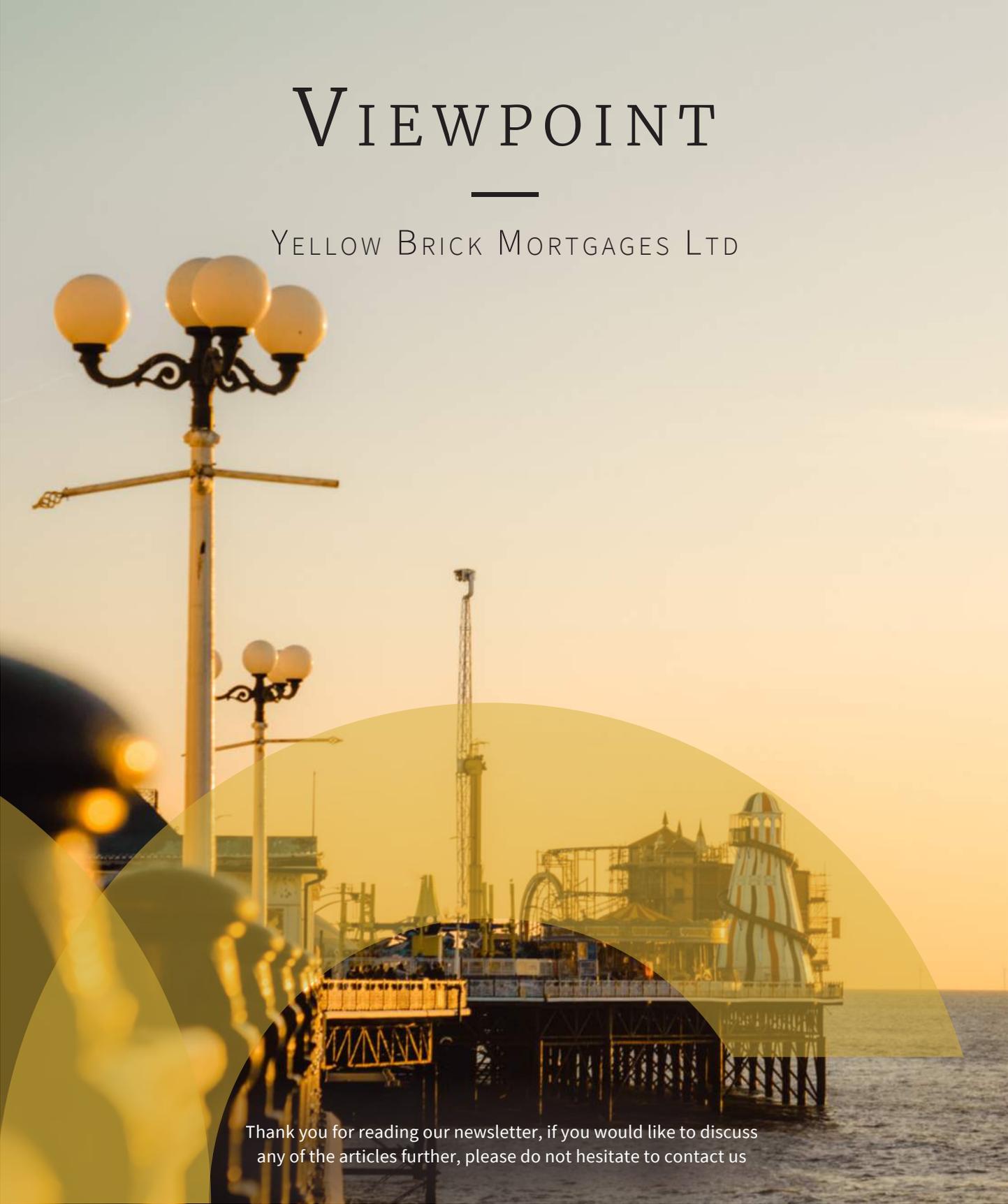


VIEWPOINT

YELLOW BRICK MORTGAGES LTD



Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us



watsons

PO Box 283, Norwich, NR18 8EU

info@ybmortgages.co.uk

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

How could negative interest rates affect you?

The Bank of England (BoE) maintained the UK's base interest rate at its record low of 0.1% in December, but in light of January's national lockdown, could rates go negative?

What could negative interest rates mean for you?

Your pension

For people approaching retirement, it usually makes sense to have adopted a lower risk strategy by moving into lower risk investments such as bonds. If interest rates go negative, the value of these bonds would decrease and for those closer to retirement, there would be less time to recover any losses incurred.

Your savings

Savings rates are already low and if they turn negative, it may mean having to pay banks to keep our money safe for us. This could take the form of paying a fee for a bank account or being charged for banking services. In reality, this is unlikely for the average saver, it may only apply to those with high deposits.

Your mortgage

We've kept the good news till last – we all need whatever boost we can get at the moment! While negative rates are unlikely to be passed along to mortgage holders (tracker and variable rate mortgages often contain mechanisms to prevent negative interest rates, for example) mortgages still look set to remain highly competitive for the foreseeable future – great news for buyers or remortgagers!

Your advisers

Whatever your financial situation, we're here to advise you. If you are concerned about the potential impact of negative interest rates, get in touch, we can help you assess all the options available to you.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.



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



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.

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