

VIEWPOINT

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Stamp duty and land tax

What you need to know

Following the lowering of the stamp duty threshold to £250,000 in July, the rate will drop further in October for buyers in England and Northern Ireland.

Stamp duty land tax applies to increasing portions of a property's price, starting at £40,000. There are different rates depending on how much you are paying for the property, whether you're a first-time buyer, where you live, and where the property is located within the UK. It's good to be aware of how much – if any – stamp duty you will pay, whether you're a first-time buyer, second homeowner, buy-to-let owner or in another situation.

Stamp duty bands from 1 October 2021

In England and Northern Ireland, as of 1 October 2021, you will pay stamp duty on a residential property's sale price over the first £125,000 (from 1 July 2021 up until 30 September, it was the first £250,000).

Property purchase price range	Stamp duty to be paid
Up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1.5 million	10%
Over £1.5 million	12%

For example, if you buy a house for £295,000, the stamp duty will apply as follows:

- 0% on the first £125,000. You pay: £0
- 2% on the next £125,000. You pay: £2,500
- 5% on the final £45,000. You pay: £2,250
- Your total stamp duty: £4,750.

Whether you are a first-time buyer, moving home or looking for a second home or buy-to-let, our advisers are here to help you through your journey.

First-time buyers

If you're a first-time buyer in England or Northern Ireland, it means you are about to buy your first main residential home and have never owned a freehold or leasehold on a property before (in or out of the UK):

- You will pay no stamp duty on the first £300,000 of your new home.
- Then, you will pay 5% on anything from £300,001 to £500,000.
- If your property price is above £500,000, the stamp duty from the rates paid by non-first-time buyers applies.

Second homes and buy-to-let properties

For those who are in the market for a second property, whether it's a buy-to-let or a second home, they will pay an additional 3% in stamp duty on top of those existing rate levels.

When is stamp duty not required?

There are some situations when you may not need to consider stamp duty. For example:

- When no money or form of payment is exchanged for a land or property transfer.
- If a property is left to you in a will.
- The property is transferred after a divorce or dissolution of a civil partnership.
- If the property you are buying is freehold costing less than £40,000.

These are a few examples in England and Northern Ireland. Scotland and Wales may have additional exemptions, so it's worth speaking to an adviser in those areas if you are buying a property.

Land and buildings transaction tax Scotland

Buyers in Scotland will pay a land and buildings transaction tax (LBTT) when buying a property, in place of stamp duty.

The Scottish system came into place in 2015, and is set up in a similar tiered tax rate level to that in England:

Property purchase price range	LBTT to be paid
Up to £145,000	0%
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,001	12%

If you are a first-time buyer in Scotland, you are exempt from LBTT for the first £175,000 of your property's sale price:

Property purchase price range	LBTT to be paid
Up to £175,000	0%
£175,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,001	12%

For those in Scotland buying a second home or buy to let property, the additional rate of tax they will pay is 4% on top of the standard rates above.

When is stamp duty not Land transaction tax in Wales

In Wales, the land transaction tax (LTT) took over from stamp duty in 2018.

This means if you are in Wales and buying your main residential home (and do not own any other property) the LTT only comes into effect after the first £180,000 of the property's sale price.

However, a big difference in Wales compared to the rest of the UK is that there are no exemptions for first-time buyers, so the tiered system applies to all types of buyers (whether first-time or not).

For those in Wales buying a second home or buy to let property, the additional rate of tax they will pay is 4% on top of the standard rates below.

Property purchase price range	LTT to be paid
Up to £180,000	0%
£180,001 - £250,000	2%
£250,001 - £400,000	5%
£400,001 - £750,000	10%
£750,001 - £1.5 million	12%
Over £1.5 million	

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

What is income protection?

Income protection insurance pays out a percentage of your monthly income if you are unable to work.

Your income is important and keeps your family secure. So, if you are in a situation where you'd like to protect it if anything happened, you might want some income protection.

How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability, or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end.

The amount that is paid could be anything from 60% to 65% of your pre-tax income, and payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter, and the percentage of your income is larger.

Income protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead give you one-off lump sums in the event of your death or the diagnosis of a critical illness. That's why it's important to seek financial advice if you are thinking about getting coverage.

Who could benefit from income protection?

If you work in a high-risk profession or have high-risk hobbies, you might want income protection in case you're unable to work because of an accident. If you've suffered an illness and feel you're at risk of being unable to work because of it, income protection could provide peace of mind, too.

Some things to consider if you are thinking about getting income protection include:

-  if you have a good level of statutory sick pay from your employer, you may not need more cover.
-  is it the best option for you and your situation? For example, do you (or your partner or spouse) have sufficient savings to help provide an income if you were unable to work?
-  can you keep up with the premiums?
-  will you find any exclusions in your policy difficult to manage?
-  are you close enough to retirement to not need income protection?

How are premiums calculated?

As with any insurance policy to do with your life and health, factors like your age, health condition, if you smoke, your occupation and others (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

Our Protection Advisers will be able to give you advice and guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

Our advisers can help you find an income protection policy to suit your needs and keep your family secure.



Be wary of the crypto-craze

You might be thinking about whether to invest in crypto currencies. We explain why it may not be the right choice, and how to better approach your portfolio.



This year has been eventful for bitcoin, with the cryptocurrency reaching a record high and then almost halving in value all in the space of six weeks. The walk-back in May from Tesla's Elon Musk in his support of bitcoin underlined concerns around the idea of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company would not be accepting bitcoin as payment for its vehicles. What followed was a series of plunges in its value – not helped by the additional news of Chinese regulators signalling a crackdown on the use of digital currencies.

Bitcoin in brief

Bitcoin is a type of digital, decentralised currency, allowing the transfer of goods and services without the need for a trusted third party. The network is based on people around the world called 'miners' using computers to solve complex mathematical problems in order to verify a transaction and add it to the 'blockchain' – a massive and transparent ledger of each and every bitcoin transaction maintained by the miners. The first to verify is rewarded with bitcoin. There is a finite amount of bitcoin that can be produced and, as more are created, the mathematical computations required to create more become increasingly difficult.

Cryptocurrencies can be volatile

Bitcoin's high volatility (risk) makes it a poor substitute for money in a broad sense. The unsteady air around cryptocurrencies in May showed the speculative nature of this asset class. Bitcoin and cryptocurrencies in general have more in common with commodities and currencies – they are much harder to value than cashflow-producing equities and bonds.



Reasons to be crypto cautious

- Cryptocurrencies are a volatile choice and susceptible to stock market bubbles, which can affect investments negatively during a downturn.
- They're not a tangible form of investment, and are not regulated, which can be a red flag when it comes to your investments.
- Volatility means investors are likely to act on doubts and sell if they fear a fall in return.

Where to invest?

A sensible approach is to invest in high-quality companies that are well-established businesses. These are usually businesses with strong management teams, serviceable levels of debt and predictable cash flows. To avoid being hit by market volatility make sure your portfolio is invested in a wide range of assets, and less vulnerable to market shocks.

Staying invested when there is a downturn can help you get through any turbulent times and put you in a good position to benefit from any ensuing recovery.

Our financial advisers can help advise you on your investment choices.

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.