July 2020 issue

Information to help meet your borrowing requirements

COVID-19 UPDATE

The bulletin from Sandlayne Associates

As the economy starts to reopen, the government has delivered substantial support to property buyers in England and Northern Ireland, with reduced Stamp Duty costs.

Stamp Duty is the tax applied to a property purchase. The temporary cut in stamp duty that's just been announced will run until 31 March 2021, and means that only those purchasing a property for over £500,000 would face any stamp duty fees. In fact, nearly nine out of ten property purchasers will pay no stamp duty at all.

To give you a feel for the impact of this initiative, under the old rules, if you were a homemover and purchased a £500,000 property, then there would be **£15,000 of stamp duty to pay.** Under the new temporary rules, **it's £0.** (see chart)

Also, it's not just those moving home, or buying their first home that may benefit. Those purchasing an 'additional' home (such as landlords) will also see a reduction in the stamp duty bill for any property purchase within this period. The only difference is that the extra 3% surcharge will still apply across the board - meaning, for example, that the applicable rate for them on a purchase up to £500,000 would be 3%.

Homemovers

Those already on the property ladder and looking for a larger (possibly more expensive) home, will see a noticeable benefit, as set out earlier.

Elsewhere, this initiative could also encourage the older 'last-time' buyers, who have a large home (and need less space), but were put off by the cost of stamp duty. If this occurs, then the supply chain for larger homes would improve.

First-Time Buyers

Under the old tax scheme, many would have benefited from a zero rate tax up to £300,000. In this scenario, the same first-time buyer now purchasing a £500,000 property (at zero rate tax) would benefit to the tune of £10,000 against the previous charging structure.

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STAMP DUTY

Rates applicable to a residential property purchase in England and Northern Ireland.

Up to £500,000	**0%**
The next £425,000 *(the portion from £500,001 to £925,000)*	**5%**
The next £575,000 *(the portion from £925,001 to £1.5m)*	**10%**
The remaining amount *(the portion above £1.5m)*	**12%**

■ This is applicable on purchases up to 31 March 2021, and thereafter it reverts to the rates in place prior to 8 July 2020.
■ Add a 3% surcharge to the above for those buying an 'additional' property.
(Source: GOV.UK, 8 July 2020)

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

Sandlayne Associates

Suite 6, Victoria House, The Moor, Hawkhurst, Kent TN18 4NR
Tel: 01580 755555 Email: sandlayne@msn.com Web: www.sandlayne.co.uk

More Good news!

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The Green Homes Grant

To help meet the government's climate change ambitions, job creation objectives and improve confidence in the housing sector, the government will also introduce a £2 billion Green Homes Grant.

Against certain criteria, this will provide at least £2 for every £1 homeowners and landlords spend to make their homes more energy efficient, up to £5,000 per household. Or, in the case of those on the lowest incomes - up to £10,000. The scheme aims to upgrade over 600,000 homes across England, saving households hundreds of pounds per year on their energy bills.

Mortgage Deals out there

For those that are coming towards the end of their deal period, or are simply seeking a decent mortgage deal, then the position has further improved since January.

And, as shown, the comparative SVR rate is somewhat higher than what's on offer, so it would really make sense to have a chat.

Average Fixed Rate, and Standard Variable Rate (SVR) vs. January.

	January 20	14 July 20
2-year fixed rate	**2.44%**	**2.00%**
5-year fixed rate	**2.74%**	**2.25%**
SVR	**4.90%**	**4.47%**

*(Source: *Moneyfacts, 14 July 2020)*

Higher Loan-to-Value Deals

Whilst the recent initiatives from the government will help to stimulate 'demand', there have been issues throughout this crisis in the 'supply' of enough higher Loan-to-Value (LTV) mortgage deals. At various times, lenders have introduced and then pulled 90% and 95% LTV deals.

If we apply the same January to July comparison, back in January there were 751 different 90% LTV deals out there, which had reduced to 49 by 14 July! A similar scenario was evident for the 95% LTV deals; 386 vs. 20.*

In which case, if you are looking to purchase a property and have a deposit in the realms of 5-10%, then it's vital that you talk to us as we've been working extremely hard for other clients to help secure these deals and know the best options and pitfalls.

You may have to pay an early repayment charge to your existing lender if you remortgage.

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

WE are there for **YOU...**

Now, possibly more than ever, it really makes sense to take professional advice.

The last few months have, no doubt, been a difficult period for most.

For our part, we've been available to assist our clients, and in some cases have identified new and more effective ways to communicate. Alongside our efforts, other elements of the property and protection marketplace have also worked hard to identify a way forward, and in some cases, new ways of working.

Understandably, going forward, some clients will initially be wary of letting others into their homes.

For others there may be a need to reassess their property and financial requirements. This could be for a house move, improving your current home, or buying your first property.

Alternatively, you may be coming towards the end of your current 'deal period' and want to remortgage onto another one. Perhaps you simply want to identify a better mortgage deal than the one you have.

Or maybe you want to purchase a second home, or expand your portfolio in your role as a landlord.

Working through the process

Whatever your needs, you'll face far stricter rules applied to 'evidencing of income' and 'affordability'.

In this respect, different lenders may interpret the rules in different ways, meaning that if you can't get the loan you need from one, you might from another. This is a further reason for securing advice from an adviser who is operating in this marketplace, day-in, day-out. Our involvement may also help to protect your credit score, by not applying to too many lenders.

Into the future

Unlike the financial crash of 2007/8, most elements of the housing marketplace were in good shape ahead of the COVID-19 crisis.

More recently, Rightmove had a record 8.5m visits on 8 July (the day of the Stamp Duty announcement).

How things develop into the future will be dependent on how the economy recovers, enabling as many as possible of the 9.4m that are furloughed to return to their jobs. **Whilst we don't have a crystal ball, we can hopefully help identify a suitable route forward for your needs.**

Financial Support

Mortgage payment holiday

Mortgage lenders have been supporting customers (including buy-to-let borrowers) who have experienced issues with their finances due to COVID-19. The payment holidays initially covered a 3 month period with the option of extending it further.

Around 1.9m mortgage borrowers have taken a payment holiday*, and for those that haven't, they may be able to apply for one up to the 31 October. *(Source: *UK Finance, June 2020)*

However, whilst a payment holiday may deliver much-needed financial help, do consider if it's the most suitable route forward for you.

First, it's not so much a 'holiday', but more a mortgage 'deferment'. This is because the money owed is not being waived, it's simply added to the overall outstanding amount.

Second, you need to agree this with your mortgage lender, so you can't just stop making payments, as that might impact your credit rating.

Finally, there may be other options to consider (if on offer), such as paying a lower amount each month, or even switch to just funding the interest for a defined period (where the capital amount that's outstanding would remain the same).

Job Retention Scheme

This scheme runs until the **end of October.** It's applicable to those designated as 'furloughed workers' (these are people absent temporarily from work), and currently HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. So far, over 9.4m workers have been furloughed!**

From 1st July, **furloughed workers can return to work part-time,** with the employer paying for the days worked, and the furlough scheme covering the rest.

That said, until the end of October - the furloughed worker could receive 80% of their wages up to the capped monthly figure of £2,500, if furloughed 100% of the time.

In September the levels of contribution will change. HMRC will reduce its payment to 70% of wages for the hours the employee does not work (with employers contributing the 10% difference).

In October, this scenario will reduce to 60% of wages, with employers paying 20%.

Also, from August, employers will be asked to pay NI and employer pension contributions.

Job Retention Bonus

The next element of the furlough scheme, to help ensure as many of those workers return to the workplace, is the provision of a one-off bonus of £1,000 for the business. This would apply to each furloughed employee (who's paid over £520/month) that's still employed as of 31 January 2021.**

Business support

If you run, or are responsible for, a small or medium-sized business, you will be aware of the wide range of initiatives to deliver assistance. This occurs in areas such as reclaiming Statutory Sick Pay, business rates help, possible grants, more time to pay tax, and deferring VAT payments, or a reduced VAT charge of 5% for the tourism and hospitality industry.

Loans are on offer too. Initially, one of the main schemes here was the Coronavirus Business Interruption Loan Scheme, where the government is underwriting 80% of the risk.

However, some businesses were complaining about the difficulty to secure loans, and in response to this the **Bounce Back Loans scheme** was then launched, where the government underwrite 100% of loans between £2,000-£50,000, with less hoops to jump through. You will not be required to make any repayments across the first 12 months, and this period will also be interest-free, with a 2.5% interest rate, thereafter, agreed between the government and lenders. So far, in total £30.9bn of loans have been delivered to more than a million businesses! *(Source: **GOV.UK, A Plan for Jobs, July '20)*

Further information about the various initiatives can generally be found at www.gov.uk (then search for covid-19).

SELF-EMPLOYMENT INCOME SUPPORT SCHEME

■ ELIGIBILITY CRITERIA

With up to £14,070 on offer across the two grants, self-employed individuals, including members of partnerships, are eligible if they:

- submitted their Income Tax Self-Assessment tax return for the tax year 2018-19;
- continued to trade in 2019-20 and intend to keep trading in 2020-21;
- carry on a trade which has been adversely affected by COVID-19;
- have average self-employed trading profits of no more than £50,000 and at least equal to their non-trading income.

Individuals can continue to work, start a new trade or take on other employment.

■ FIRST GRANT

Eligible individuals can claim a taxable grant worth 80% of their average monthly trading profits, paid out in a single instalment covering three months' worth of profit, and capped at £7,500 in total.

Applications opened on 13 May 2020, and recently closed on 13 July 2020.

■ SECOND AND FINAL GRANT

Eligible individuals can claim a taxable grant worth 70% of their average monthly trading profits, paid out in a single instalment covering three months' worth of profit, and capped at £6,570 in total.

Applications will open in August 2020.