Discussion guide – 24 February 2021

Planning for the end of the tax year

What can we expect from the Spring Budget? We take a look at some of the changes that may be announced on 3 March as the end of the tax year draws closer.

Stamp Duty holiday likely to extend

Just as we had accepted this would definitely end on 31 March, it's now likely that Stamp Duty relief will be extended a further three months until the end of June. It does, however, look unlikely that this extension will apply to the mortgage payment holiday deadline which remains at the end of March.

Currently, the rate in England remains zero on properties purchased up to £500,000. You can calculate any further tax payable for purchases above the temporary threshold here.

Here's a reminder of what the usual rates of Stamp Duty are – so you can be prepared whatever happens. If extended, now could be a great time for your clients to get that house or additional property investment underway!

Main residence

Purchase price band	Rate
Between £40,001 and £125,000	0%
Between £125,001 and £250,000	2%
Between £250,001 and £925,000	5%
Between £925,001 and £1.5 million	10%
Over £1.5 million	12%

Additional property

Purchase price band	Rate
Between £40,001 and £125,000	3%
Between £125,001 and £250,000	5%
Between £250,001 and £925,000	8%
Between £925,001 and £1.5 million	13%
Over £1.5 million	15%

If your clients are thinking about moving or purchasing an additional property, they will need to consider the higher rate of Stamp Duty that is due on a Buy to Let property purchase.

Is Buy to Let still a good investment?

Following the upheaval caused by the pandemic and the volatility of stock markets over the past year, purchasing a Buy to Let property may be an appealing option for people who want a more tangible way to invest their money. Property has been a successful investment in recent years thanks to rising house prices and rental yields, and your clients could benefit from the potential extension of Stamp Duty relief.

Yet it's important to remind clients of the effects tax could have on their investment:

- **Stamp Duty:** Buy to Let investors face a Stamp Duty surcharge when purchasing a property to rent out.
- **CGT:** when selling a property, Buy to Let investors pay higher taxes on capital gains than on other asset classes – this is particularly relevant as these taxes could rise again on 3 March.
- **Mortgage interest relief:** restrictions on tax relief on mortgage interest could eat into the income some landlords generate from their Buy to Let properties.

If you have clients who are interested in investing in property, we have relationships with specialist Buy to Let lenders who can offer a range of attractive mortgage deals according to their needs.

The importance of staying invested

Stock market volatility continues against a backdrop of poor economic data, longer-than-expected lockdowns and harsher travel restrictions, despite the success of the UK's vaccine programme so far.

Graham Angell, our Pensions and Investment Proposition Director, believes that these circumstances are a timely reminder of our investment principles, which focus on staying invested, trusting your attitude to risk and investing in a diversified range of asset classes – all of which have been rewarded over the last 12 months.

At the same time, we know you're probably focused on helping your clients take advantage of the various tax reliefs and allowances available at the moment. Speculation about potential tax changes is likely to intensify as we get closer to the Budget on 3 March. But if you focus on what you can control, your clients can achieve a significantly better outcome regardless of what happens in global equity markets over the short term.

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