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WEALTH **KNOWLEDGE**

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In this month's Wealth Knowledge... Home buyers have saved money on stamp duty following the rule changes in December 2014. People are saving but they are reluctant to switch their savings accounts. And, we look at some of the tax and regulation changes that will come into effect in 2016.

Home buyers benefit from stamp duty changes

Home buyers have saved an average of £4,500 in stamp duty following changes to the band system in December 2014.

According to Halifax, a person buying a property paid a total of £3,676 in stamp duty, based on the current average house price in England and Wales of £273,531.

Under the previous tax structure, a buyer would have paid £8,205 in stamp duty.

Total stamp duty revenue rose by 16% between 2013/14 and 2014/15 to a new high of £7.5 billion.

London contributed 40% of all stamp duty revenues in 2014/15, compared with 13% of all property transactions.

Craig McKinlay, mortgages director at Halifax, said:

"The changes made to stamp duty a year ago have been of significant benefit to many buyers. Only those purchasing the most expensive homes are worse off.

"The failure to index the start point for stamp duty in line with house price inflation has dragged more buyers into the tax net in recent years."

Stamp duty land tax on residential properties

Portion of property price	Stamp duty
Up to £125,000	0%
£125,001 to £250,000	2%
£250,001 to £925,000	5%
£925,001 to £1,500,000	10%
Over £1,500,000	12%
Over £500,000	15%*

*The 15% rate applies to certain acquisitions of residential property by 'non-natural' persons. That is a company, a partnership including a company or a collective investment scheme.

Further stamp duty changes

New rates of stamp duty that are 3% higher than the current bands will be introduced from 1 April 2016 on purchases of additional properties such as buy-to-lets and second homes.

Mobile homes, caravans, houseboats and properties sold for less than £40,000 are exempt from the new rates.

Similar changes have been announced to land and buildings transaction tax in Scotland.

Speak to us about how stamp duty could affect you.

Savers unlikely to switch accounts

Savers have accumulated an average of £16,917 but only 37% save regularly, a survey by AA Financial Services has found.

The results also show a mixed picture when it comes to shopping around for the best interest rates:

- 54% of people have never switched their savings account
- 25% change accounts whenever they see a better deal
- 19% swap when their introductory bonus comes to an end.

Michael Johnson, director of AA Financial Services, said:

"Savers who have never switched their savings account are likely to be missing out on valuable interest earnings from a higher-paying account.

"It's becoming easier to switch savings accounts yet many people leave their money in accounts that earn poor interest rates or are inflexible, making it difficult to withdraw money."

Choosing a savings account

In order to get the best out of your savings account, consider the following:

What are you saving for?

If you need regular access to your money or will be able to reach your savings goal within a year, an instant access account may be the most suitable type of account.

If you can leave your savings untouched for longer, you could consider fixed term deposits, savings bonds or regular savings accounts. These products lock your money away for a set period – typically between 1 and 5 years - in return for a higher interest rate than many instant access accounts.

Your tax position

From April 2016 the first £1,000 of savings income (or £500 for higher rate taxpayers) will be tax-free. The government estimates that the personal savings allowance will mean that 95% of individuals will not pay tax on their savings.

Banks and building societies will stop automatically deducting 20% in income tax from the interest earned on savings.

Cash held in ISAs will remain tax-free and the annual limit for all ISA savings for 2016/17 will be £15,240.

Spread your savings

The Financial Services Compensation Scheme protects deposits up to £75,000 in regulated banks and building societies.

For joint accounts the protection is £150,000. You may want to consider transferring some of your money if you hold savings that exceed £75,000 in a single account.

Read the small print

Make sure you know when any fixed term rates or bonus periods end. You should also check withdrawal rules and fees in case you need to make an unplanned withdrawal.

Talk to us to discuss your saving strategy.

10 tax and regulation changes for 2016

2016 looks set to be a busy year in terms of tax changes. The new tax year, which begins on 6 April 2016, will see the bulk of the new rules, rates and thresholds come into effect.

Although April may seem far in the future, some of the changes may affect your financial planning for the 2015/16 tax year.

10 changes that come into effect on 6 April 2016

1. **Dividend tax credit** will be abolished and replaced with a £5,000 dividend tax allowance.
2. The **personal allowance** increases from £10,600 to £11,000.
3. The **higher rate threshold** increases from £42,285 to £43,000.
4. A new **savings allowance** to remove tax on up to £1,000 of savings income for basic rate taxpayers will come into effect. For higher rate taxpayers this will be £500.
5. Those who currently receive **income from an annuity** will have the right to assign the annuity in consideration for a lump sum or alternative retirement product.
6. The **lifetime allowance** for pension contributions reduces from £1.25 million to £1 million.
7. The investment limit for **Premium Bonds** increases from £40,000 to £50,000.
8. **Rent-a-room** relief increases from £4,250 to £7,500.
9. The **employment allowance** increases from £2,000 to £3,000.
10. Eligible workers aged 25 and over will have to be paid the **national living wage** of £7.20 an hour.

Contact us to discuss financial planning.