

HMacKenzie Mortgage & Protection Services

A Guide to Buying a Home



A Guide to Buying a Home

Buying a new home is very exciting but also has the potential to be very stressful. It is likely to be one of your biggest financial commitments, and the whole process can be daunting. So, here is our 'buying a home' checklist.

The Basics

- If you're buying together with a partner or friends, agree up front how you'll make financial decisions about the property.
- Review what you can afford:
 - from your savings for the upfront costs of a home – a deposit, moving costs and furnishings etc.
 - from your income for mortgage repayments and other outgoings such as council tax, insurances etc.
- Find out what you can borrow and how much it might cost. Talk to one of our expert mortgage specialists for a borrowing assessment.

Land and Buildings Transaction Tax (Scotland) LBTT

Don't forget to include Land and Buildings Transaction Tax (LBTT) in your calculations – a Scottish Government tax on property purchases.

LBTT is a tax applied to residential and commercial land and buildings transactions (including commercial purchases and commercial leases) where a chargeable interest is acquired.

The structure of LBTT is designed so that the charge is more proportionate to the actual price of the property. The percentage rate for each band in LBTT is applied only to the part of the price over the relevant threshold and up to the next threshold.

Residential property transactions – LBTT rates and bands

For residential property transactions, the rate of tax is determined by reference to percentages of the chargeable consideration for the transaction falling within the bands below:

Purchase Price	LBTT Tax Rate
Up to £145,000	Zero
Above £145,000 to £250,000	2%
Above £250,000 to £325,000	5%
Above £325,000 to £750,000	10%
Above £750,000	12%

Since 30 June 2018, the tax-free limit for properties bought by first-time buyers has been raised to £175,000 in Scotland.

Additional Dwelling Supplement-The Land and Buildings Transaction Tax (LBTT) rates and bands

The Land and Buildings Transaction Tax (Amendment) (**Scotland**) Act 2016 provides for an Additional Dwelling Supplement (ADS) of LBTT to be applied on purchases of additional residential properties in Scotland (such as buy-to-let properties and second homes) of £40,000 or more. The current rate of ADS is 3% of the 'relevant consideration' (usually the purchase price).

You can use Revenue Scotland Tax Calculator to work out how much Land and Buildings Transaction Tax you'll pay on property and land purchases.

Further information can be found at: <https://www.revenue.scot/land-buildings-transaction-tax/guidance/>

Stamp Duty Land Tax (England, Wales & Northern Ireland)

You must pay a Government Tax - Stamp Duty Land Tax (SDLT) if you buy a property or land over a certain price in England, Wales and Northern Ireland.

You pay Stamp Duty Land Tax (SDLT) on increasing portions of the property price above £125,000 when you buy residential property, eg a house or flat. (£150,000 for non-residential land and properties).

New leasehold sales and transfers

When you buy a new residential [leasehold property](#) you pay SDLT on the purchase price of the lease (the 'lease premium') using the rates above.

If the total rent over the life the lease (known as the 'net present value') is more than £125,000, you also pay SDLT of 1% on the portion over £125,000 - unless you buy an [existing \('assigned'\) lease](#)

You pay the tax when you:

buy a freehold property

buy a new or existing leasehold

buy a property through a [shared ownership scheme](#)

are [transferred land or property](#) in exchange for payment, eg you take on a mortgage or buy a share in a house

Freehold sales and transfers

You can also use this table to work out the SDLT for the purchase price of a lease (the 'lease premium').

Residential land or property Stamp Duty Land Tax rates and thresholds:

Purchase price/lease premium or transfer	Stamp Duty Land Tax Rate
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 - £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5million)	12%

You can use HM Revenue and Customs (HMRC) [Stamp Duty Land Tax calculator](#) to work out how much tax you will pay.

Higher rates for additional properties

You'll usually have to pay 3% on top of the normal SDLT rates if buying a new residential property means you'll own more than one.

Further information can be found at: <http://www.hmrc.gov.uk/so/rates/index.htm>

Research The Market

- Look at different areas you might be interested in, work out the sort of property you might be able to afford there. There are resources on the web to help you such as <http://www.upmystreet.com/>.
- Register with several estate agents to increase the chances of finding your ideal home. Look online at various property finders that aggregate properties from different agencies, such as <http://www.primelocation.com/> or <http://www.fish4.co.uk/homes/>

The Mortgage

- Choose a mortgage. Talk to our highly experienced and skilled mortgage specialist who will take the time to get to know your circumstances, objectives and preferences. We research the market, using sophisticated I.T. systems, to find the most appropriate mortgage for you. They will also discuss your insurance and protection requirements and source the best deals for you from the market.
- Get a mortgage 'agreed in principle' – Your 'HMackenzie Mortgage & Protection Services' specialist can help you with this. The mortgage lender will need some information to assess whether they are happy to lend you the money. You don't need to have a specific property in mind at this stage, and the offer will usually be valid for a number of months. This will make buying your home a lot quicker.
- Make a formal offer – 'Subject to contract/finance' – once you have found the property you want.
- Complete a full mortgage application – an official application for a mortgage to purchase your chosen property with the lender you have selected.
- Receive the mortgage offer – the lender will confirm agreement of the loan in an "offer of advance" letter to you.

[The process in Scotland](#)

The Contract

- At the outset of the transaction, both buyer and seller enter into a formal contract following the exchange of letters between their solicitors, a process known as missives. On conclusion of missives, a binding contract exists, from which neither buyer nor seller can withdraw without incurring a penalty. Potentially, the penalty could run into thousands of pounds. A completion date known as 'date of entry' will be agreed by both buyer and seller which allows all parties concerned to work towards a final date and minimise the need to arrange bridging finance.

“Offers Over”

- The most widely-used price tag is 'offers over', whereby the seller hopes to achieve a final price in excess of the quoted figure. Depending on the desirability of the property, the selling price tends to be between 1% and 10% more than the asking price. In a buoyant market, this difference can be even more marked. There is also the fixed-price option, whereby the seller indicates they will accept the first offer for the exact figure. It is worth noting, however, that the seller is not obliged to accept the highest, or indeed any, offer. If more than one buyer is interested in purchasing a property, the seller's solicitor will usually set a closing date by which the seller wishes all interested parties to submit their offers.

The Solicitor

- Buyers and sellers must use a solicitor or authorised practitioner qualified in Scottish law. Any buyer interested in a particular property must advise a solicitor, who will then note their interest with the seller's solicitor. This ensures that the property will not be sold without the potential buyer having the opportunity to make an offer. Potential buyers commission the survey or valuation prior to making an offer. If a buyer decides to make an offer subject to survey or subject to contract it may jeopardise the chances of the offer being accepted, particularly if a closing date is set. At the closing date, the seller will decide which offer to settle upon, in consultation with his or her solicitor. The solicitor will then verbally indicate to the successful buyer's solicitor that the offer has been accepted. At this stage it is a verbal acceptance only and not legally binding. The seller's solicitor will then provide the buyer's solicitor with a qualified acceptance once a positive response has been received. This is the beginning of missives, the exchange of formal letters between both parties' solicitors stipulating price, date of entry, items included in sale, and a number of additional legal conditions. After the missives have been concluded, there is a legally binding contract on both parties. Buyers in Scotland do not have to provide a deposit.
- ***The Financial Conduct Authority (FCA) does not regulate solicitors and estate agents and we act as introducers for them.***

Insurance

- Arrange immediate insurance cover for your new property.

The Entry Date

- The date of completion is known as the entry date: at this time, the buyer is free to collect the keys to the new home from the estate agent.

[The process described above is different in England, Wales & Northern Ireland.](#)

The Survey

- The lender will require a 'valuation report' on the property, which is prepared by a surveyor, and confirms how much the property is worth. The lender will use this report in deciding whether to make the mortgage offer to you, or if any conditions should apply. You may also want to have a more comprehensive survey carried out at your expense, to ensure that the property is in sound condition. The same surveyor can normally carry out both surveys on the same visit.
- Examine the valuation report when the lender sends it to you. This will either approve your mortgage as requested or approve it subject to some conditions, for example repair work being carried out. Through your solicitor you might negotiate to get the seller to pay for this work or to reduce the asking price. If not, but you still wish to proceed, get quotes for the work and appoint one firm. The surveyor will usually carry out a further inspection to ensure that the work has been done.

The Solicitor

- The solicitor you choose should be acceptable to your lender, as he or she will also act for the lender. The solicitor's main task is to handle the conveyance, which is drawing up the contracts and making legal enquiries, for example ensuring that there are no building plans affecting the property. The cost of land registry charges and local search fees will be passed to you. Ensure you ask your solicitor for an estimate of charges before they start work.
- Your solicitor searches and completes all of the legal checks and will draw up the Contract.
- Contracts are exchanged between you and the seller. You will now sign the Contract and pay the deposit. Signing the Contract legally commits you to buying the property. Your solicitor will give you a completion date.
- ***The Financial Conduct Authority (FCA) does not regulate solicitors and estate agents and we act as introducers for them.***

Insurance

- Arrange immediate insurance cover for your new property.

The Move

- Start planning your move including contacting a removal firm if you need one.
- Completion date – contact the estate agent, arrange to collect the keys. Move in!

For further information or to book an initial consultation, please call us on 01463 830458 or mobile 0775 220 7413.

HMacKenzie Mortgage and Protection Services is a trading style of Helen MacKenzie. Helen MacKenzie is an appointed representative of Sesame Ltd, which is authorised and regulated by the Financial Conduct Authority. Principal – Helen Mackenzie. Sesame Limited is entered on the Financial Conduct Authority register under reference 150427.

Information given in this article is for guidance only and should not be taken as individual advice. We cannot assume legal liability for any errors or omissions it might contain. Specific advice should be taken before acting on any of the guidance set out in this article.

A fee of £395 payable on submission of the full mortgage application. This fee covers all administration, research and application through to completion of the mortgage process. We will also be paid commission by the lender.

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

www.helen-mackenzie.co.uk

helenm@helen-mackenzie.co.uk

Facebook – HMacKenzie Mortgage and Protection Services

Twitter @helenmackenzie7