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WEALTH **KNOWLEDGE**

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In this month's Wealth Knowledge... There are changes to mortgage tax relief that buy-to-let mortgage applicants may not be aware of. The Bank of England expects average wages to rise by 3% in 2016. There is a lack of confidence in whether home insurance policies will pay out. And, a new kind of Innovative Finance ISA will be available from April 2016.

Buy-to-let changes: what you need to know

55% of buy-to-let mortgage applicants are unaware of the changes to mortgage tax relief, according to a survey by Direct Line for Business.

At present, landlords can offset mortgage interest against rental profits.

However, from 2017/18 the percentage of interest landlords can offset will be reduced until it reaches 20% by 2020/21.

Whether you're already a landlord or considering investing in a buy-to-let property, there are other changes you need to be aware of. Here are 3 other things to consider:

Check your tenant's Right to Rent

Landlords must check if their tenants aged 18 or over have the legal right to live in the UK.

If there is no proof of the checks and your tenant is illegally living in your property, you could face a fine of up to £3,000.

Stamp duty changes

New rates of stamp duty will come into effect from 1 April 2016 on purchases of additional properties such as buy-to-lets and second homes. A 3 percentage point surcharge will be added to each band on properties above £40,000.

Wear and tear

The wear and tear allowance, which allows landlords of furnished properties to deduct 10% of their annual rent from profits before paying tax, will be abolished from April 2016.

The allowance will be replaced with a relief that allows landlords to deduct the costs they actually incur on replacing furnishings in a property.

Talk to us about buy-to-let properties.

Wages predicted to rise in 2016

66% of workers predict that they will receive a pay rise in the next 12 months, according to the CIPD.

This is an increase on the 51% of employees who got a pay rise in 2015 but remains below the 67% recorded in 2008.

Of the 2,074 working adults surveyed:

- 36% expect a similar pay increase to 2015
- 21% expect a higher rise
- 6% expect a lower rise.

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These findings are supported by the Bank of England's latest inflation report which expects average weekly earnings to rise by 3% in 2016.

National living wage reminder

With the new national living wage (NLW) coming into effect from 1 April 2016 for employees over 25 years old, businesses need to prepare by doing the following:

- finding out which staff are eligible for the new £7.20 rate
- updating the company payroll in time for 1 April 2016
- communicating changes to staff.

HMRC will be responsible for enforcing the NLW and has said it will take firm action where employers fail to pay the correct wage.

Contact us today to discuss setting wages.

Over 50s don't trust home insurers

24% of people aged 50 and over do not trust home insurance providers to handle their claims fairly, research by SunLife has found.

Almost 10% of those surveyed did not have home insurance cover.

Reasons for not having cover included:

- don't trust the provider (13%)
- high cost (27%)
- cost of premiums outweigh the risk (17%)
- don't have enough possessions to justify buying cover (23%).

5 home insurance claim tips

According to the Association of British Insurers, 1 in 5 household claims are rejected. Home insurance needs careful planning; here are 5 tips to help get a successful claim:

Buy the right cover

Compare policy covers, limits and exclusions and don't purchase on price alone. It's also important to have the right policy that covers all your belongings.

Read the terms and conditions

Make sure that you read the terms and conditions relating to the policy and pay attention to the excess.

Look after your possessions

Maintain your home and possessions to avoid any wear or tear damage that could lead to a rejected claim.

Follow procedures

Ensure that you follow the policy documents and report any claims promptly. Keep your personal policy number ready and your insurer's claims helpline number in an easily accessible place.

Be honest

Be honest about your claim. If your insurer finds that you have been dishonest with any part of a claim, then they can reject the whole claim.

Talk to us about your home insurance.

Peer to peer ISAs due for 2016/17 launch

A new type of ISA which uses peer to peer (P2P) lending will be available from 6 April 2016.

Individuals will be able to invest their full annual ISA allowance of £15,240 in an Innovative Finance ISA (IF ISA).

Despite being a separate classification of ISA, IF ISAs, will work in a similar way to cash and stocks and shares ISAs. While money is in an ISA wrapper, any interest is free of tax.

IF ISA rules will allow transfers from existing cash and stocks and shares ISA.

IF ISAs could offer higher rates than cash ISAs, although there is a greater degree of risk involved.

Unlike cash ISAs, IF ISAs are not covered by the Financial Services Compensation Scheme so if your provider goes bust you could lose your money.

Several P2P providers have launched details of their IF ISAs. However, firms need full authorisation from the FCA to offer the product. At the time of writing, providers were still waiting for this authorisation before being able to offer their IF ISAs to consumers.

Flexible ISAs

Individuals will be able to withdraw funds from their ISAs without using up their annual allowance from 6 April 2016. For example, if you invest £15,240 and then take out £10,000, you will be able to add up to another £10,000 later in the tax year.

Talk to us about savings and investments.