

Ask the expert – 2<sup>nd</sup> July 2010

By Steve Moir, partner of Hennings Moir, **team** estate agent in Saltash (01752 850440) and chairman of Westcountry **team**:



**Q. What effect if any will the Chancellor's "Emergency Budget" have on the housing market?**

**A.** Happily, very little – as far as one can tell. Of course, this wasn't a normal budget in any sense of the word. However, as with any budget – emergency or not - no news is almost invariably good news!

As far as specifics are concerned, the increase in VAT to 20% from January next year admittedly does mean that fees and other costs associated with buying and selling property will rise slightly. Nevertheless, the really big worry - that Capital Gains Tax would be hiked to 40%, with the dramatic effect that might have had on the market – thankfully turned out to be groundless. Yes, higher-rate taxpayers will now have to pay CGT at 28%, but that isn't so high as to trigger a wholesale stampede away from property as an investment. Meanwhile, of course, there will be no effect whatsoever on standard rate taxpayers, who will continue to pay CGT at 18%, as before.

Indeed – insofar as there was any good news for anyone - the Chancellor seemed positively determined to lavish most of it on the property sector, by reinstating the tax breaks on holiday lets scrapped by the previous Government. This means that one of the main tax reasons for owning a furnished holiday let remains the fact that owners can offset any losses against other income.

So, all in all, I believe the property sector got off pretty lightly indeed in the budget.

Moreover...when you bear in mind that these measures come hard on the heels of the Conservative's pre-election commitment to raising the Stamp Duty threshold permanently to £250,000 for first time buyers – and, of course, the scrapping of Home Information Packs

immediately they came into power – I actually think it's been a pretty good couple of months for the property market. Add to that the fact that all the uncertainty surrounding both the election and the much-trumpeted emergency budget itself is now finally behind us, and I wouldn't be at all surprised to see the market really start to take off.