



Further help to buy from the government

A Help to Buy ISA will be launched in the autumn, aimed at helping first time buyers get onto the housing ladder.

One of the rabbits which did not escape from Mr Osborne's hat before the Budget was the announcement of a new Help to Buy ISA for first time buyers. The main features of the new ISA are planned as follows:

- It will be available to any potential first time buyer, aged 16 or over, probably from autumn 2015.
- The format will be that of a cash ISA, so anyone who chooses the Help to Buy ISA will usually not be able to contribute to another cash ISA in the same tax year.
- The maximum contributions will be an initial £1,000 and £200 a month.
- The government will pay a tax-free bonus of 25% of accumulated savings, provided that the proceeds are used to buy a first home. The maximum bonus will be £3,000 (on £12,000 of savings) and the minimum £400 (on £1,600 of savings).
- A couple may each have their own Help to Buy ISA and use them both for the same property purchase.
- The maximum property value will be £450,000 in London and £250,000 elsewhere.
- There is no need to use the ISA fund to fund a home purchase, but the bonus will not apply in other circumstances.

The new ISA has had a mixed reception. On the one hand there is the view that anything which helps first time buyers to build up a deposit is good news. Others note that it will take four and a half years of saving at the maximum rate permitted to reach point at which the full bonus is available. By then average house prices will probably have moved up by much more than £3,000.

The value of tax reliefs depends on your individual circumstances. Tax laws can change.