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Greet LISA

Your tax-efficient route to home ownership

Welcome LISA into your savings journey! A Lifetime Individual Savings Account (LISA) could be your perfect partner if you're eyeing that first step onto the property ladder. As a first-time buyer, it offers an attractive path to tax-efficient savings.

Open to those aged between 18 and 39, a LISA allows you to save up to a £4,000 annual allowance. The cherry on top? All savings are tax-free, and the government generously chips in with a 25% bonus on your contributions, up to a maximum of £1,000 per year.

Navigating eligibility and property criteria

You must ensure the house you're keen on carries a price tag of £450,000 or less and will be your sole UK residence. Also, it's a requirement that the purchase is mortgage-backed. If you're buying in tandem with another first-time buyer, you can both open separate LISAs and enjoy these benefits as long as you meet the individual eligibility criteria.

Although you can open multiple LISAs during your lifetime, only one can be opened and contributed to in each tax year. Remember, your LISA allowance is part of

your broader annual ISA allowance, currently standing at £20,000 for the 2023/24 tax year.

Combining schemes and withdrawal guidelines

LISA doesn't stand alone. You can pair it with other government schemes if you meet their eligibility requirements. However, be mindful of withdrawal rules. Within the first 12 months of your initial deposit into a LISA, any withdrawals will face a 25% government charge (2023/24 tax year), potentially leaving you with less than you put in.

This withdrawal charge doesn't apply when buying your first home or if you're diagnosed with a terminal illness. After the 12-month mark, you may withdraw money to buy your first home, but the government charge applies for any other withdrawals before 60.

Using LISA funds for an exchange deposit

Here's the exciting part – LISA funds, including the bonus, can be used towards an exchange deposit. The only condition? Your property purchase must be completed within 90 days of your conveyancer receiving the withdrawn funds from your LISA provider.

What if your purchase falls through?

If your property purchase takes over 90 days, your conveyancer can request an extension from HM Revenue & Customs. If the purchase falls through, or if you don't use the cash to buy your home within three months after the withdrawal, the money must be returned to the LISA by the conveyancer.

There's no restriction on which stage of the property purchase you can put your LISA funds towards. As long as it meets the conditions above, you can use them towards a deposit at the exchange of contracts. ■

Ready to embrace home ownership?

Are you excited about leveraging the government bonus on your LISA savings towards purchasing your first home? For further information and guidance on how we can assist. Please contact us to discuss your requirements.

