



Our Self-Build Column

Financing your Self-Build

Set the budget

Although self-building offers a more affordable route to your dream home, it's important not to underestimate how much this figure will be. The key is to do your research, set realistic expectations and boundaries, and most importantly, stick to them. It's easy to get carried away with the planning of your unique home by adding every conceivable luxury and gadget on the market, but the reality is that it's vital to plan and calculate, in detail, exactly what you need and how you will be funding the project.

A good old fashioned spreadsheet can work very effectively to keep costs in check across the key areas of: land, labour, materials, finance/professional fees, insurance, utilities, contingency, applications and VAT. Getting accurate figures for these at the very start can make all the difference to the overall project.

Need a mortgage?

When it comes to self-build mortgages, there are two types available – arrears and advance. With an advance stage payment mortgage, it may be possible to borrow up to **90%** for the land with just outline planning permission. This is an added bonus as some lenders will only lend with detailed planning permission which can take months to arrange and may then consequently restrict the plot opportunities you have. An advance stage payment mortgage also makes buying at auction a possibility and speeds up the process of acquiring a plot, whilst also reducing the deposit required. Further funds are released for the build costs – again up to **90%** and money is released ahead of each build stage.



An arrears-based mortgage on the other hand, allows you to receive payments, in stages with each payment being transferred after confirmation that the stage has been completed. But whichever mortgage you select, pinpointing those initial planning and budget costs should ensure you get the best deal for your project.

VAT or no VAT?

Luckily for the majority of self builders, new builds are zero-rated, which means that a VAT registered builder or subcontractor must zero-rate their work and not charge VAT on any labour-only or supply and fix contracts. However, you will have to pay VAT at full rate for the purchase of any materials that the builder makes on their own account with this being largely recoverable at the end of the project.

When it comes to the overall financing of your project, it may seem a minefield of spreadsheets and paperwork but thorough planning and detailed budgeting at the outset will pay dividends in avoiding any nasty surprises along the way, and ensuring you benefit financially from what is likely to be your most valuable asset.

To read the blog on the EDP property website [click here](#)