

SCHEDULE 5

Housing costs element for owner-occupiers

PART 4

Calculation of amount of housing costs element for owner-occupiers

Amount in respect of alternative finance arrangements

11.—(1) This paragraph provides for the calculation of the amount to be included in the owner-occupier’s housing costs element under this Schedule in respect of relevant payments which are alternative finance payments.

(2) The amount in respect of the alternative finance arrangements to which the payments relate is to be calculated as follows.

Step 1

Determine the purchase price of the accommodation to which the alternative finance payments relate.

Step 2

Identify which is the lower of these two amounts—

- (a) (a) the amount resulting from Step 1; and
- (b) (b) £200,000,

and, if both amounts are the same, that is the identified amount.

Step 3

Apply the formula—

$$\frac{(AxSR)}{12}$$

where—

“A” is the amount identified in step 2, and

“SR” is the standard rate that applies at the date of the calculation (see paragraph 12).

The result is the amount to be included under this Schedule in respect of alternative finance payments.

(3) “Purchase price” means the price paid by a party to the alternative financial arrangements other than the owner-occupier in order to acquire the interest in the accommodation to which those arrangements relate less the amount of any initial payment made by the owner-occupier in connection with the acquisition of that interest.