



10 reasons to buy property through a limited company

Since the government has capped the finance cost relief, tax has risen sharply for a lot of property investors/landlords. This means a lot of investors are looking for smarter ways to structure their property rental businesses. Buying buy to let property through a limited company can save investors a significant amount of money.

Here are our top 10 reasons why you should purchase a buy to let property through a limited company.

Tax

Companies pay Corporation Tax on profits which is currently 19%, that's considerably lower compared with 20%/40%/45% tax paid by individuals.

Flexible income withdrawal

With a limited company, you only need to pay tax when you extract profits from the company. Compare this to a sole trader or partnership, that are taxed on all the profits made by the business whether or not you actually draw the profits from the business.

Optimization of allowances

A property company offers flexibility with respect to tax and sharing of income with others. You can optimise your allowances and other family member allowances to extract funds from the company.

Mortgage relief

Using a limited company, you can deduct all finance and mortgage costs from the income as a normal expense.

Tax planning

Companies prove to be a better vehicle when it comes tax planning, as there are lots of options such as using a family investment company, forming limited company partnerships, extracting tax-free benefits; that can reduce the overall tax liability.

Succession (Inheritance Tax Planning)

Passing a business to family members is easier with a company because you can give away shares and pass the whole business to them over a number of years.

Stamp duty

Stamp Duty on selling shares is 0.5%. So, selling the company instead of the property can give you greater bargaining power when disposing of assets as the purchaser could save a significant amount in SDLT (15% in certain cases).



Limited liability (Reduced risk)

Having a company limits your personal financial risks. In the event of unforeseen circumstances your financial risk is limited to the assets/liabilities of the company.

Capital Gains Tax (CGT)

The company pays Corporation Tax at 19% on the gains made from the property, this is significantly lower than the rate for an individual who would pay CGT at 28%.

Small Self Administered Scheme (SSAS) pensions

Companies can open a SSAS account, which can then be used to invest in commercial properties or residential development projects. Income generated in the SSAS account is tax-free, (until you withdraw your pension). You also get Corporation Tax relief for payments made to SSAS pensions.

To find out if buying property in a limited company is the right strategy for you, why not contact the dns tax team today. Our property tax experts at dns Tax are highly experienced in property tax planning, so get in touch for a chat and free initial assessment. Contact our property tax experts on 03300 88 66 86 or email on info@dnsaccountants.co.uk

[BOOK A FREE CONSULTATION](#)

About us

Founded in 2005, dns provides accountancy and tax services to businesses and property owners. We have helped thousands of businesses and property investors to optimise their property tax bill, stay compliant, build wealth, and manage succession planning.

The dns tax team works with you to build a tax efficient structure using effective tax planning tools like Alphabet Shares, Family Investment Companies, Family Partnership (LLP) to mitigate your exposure to Personal Tax, Capital Gains Tax, Corporation Tax, Inheritance Tax, Stamp Duty Land Tax and VAT.

The aim of this factsheet is to provide you with general information and does not constitute tax advice. Before proceeding with any transaction, you should consult an accountant or tax advisor. The factsheet has been produced based on the legislation applicable as on 1 June 2021.





Award winning accountants



Get in touch

DNS House, 382 Kenton Road,
Harrow, Middlesex, HA3 8DP
www.dnsaccountants.co.uk

info@dnsaccountants.co.uk
03300 88 66 86