

Property



Income



Property held personally

- Taxed on profits arising at the marginal rate.
- Rent-a-room relief available (increased to £7,500).
- Relief available for the actual costs of replacing furniture and furnishings.
- Restriction on higher rate relief on finance costs. Phased in from 2017/18.
- Scottish tax payers will be subject to Scottish Rate of Income Tax (SRIT) on property income from 2017/18.
- New £1,000 tax free allowance for property income.
- Losses can be relieved against profits.

Property held in company

- Taxed on profits arising at main corporation tax rate.
- Losses can be relieved against profits.
- Full interest rate relief available at main rate of corporate tax.
- Cost of finance may be higher, and fewer products available.

Incorporation



Property held personally

- Capital gains tax charge, unless Holdover Relief or Incorporation Relief available.
- Subject to LBTT / SDLT charge.
- Can existing finance be transferred into company?

Property



Succession



Property held personally

- Inheritance tax liability on market value of property.
- Beneficiaries receive property at market value, with no capital gains tax.

Property held in company

- Inheritance tax liability on market value of shareholding.
- Beneficiaries receive shares at market value, with no capital gains tax.
- No uplift of property value within company.

Residential Investment Property: Let's Compare Hold Personally or Hold In A Company?

The tax and financial considerations following the introduction of the restriction of higher rate relief on finance costs.



Ownership



Property held personally

- Significant legal costs and implications to change title.
- Land & Buildings Transaction (LBTT) charge on acquisition.
- LBTT charged on market value if acquired by gift from connected person.
- Additional Dwelling Supplement (ADS) of 3% chargeable on additional residential properties.
- Stamp Duty Land Tax (SDLT) & Land Transaction Tax (LTT) applies to property purchases in England/NI & Wales respectively.

Property held in company

- Potential for multiple shareholders.
- Potential to split shareholdings between family generations.
- Ongoing administration and compliance costs.
- LBTT tax charge on acquisition.
- LBTT charged on deemed market value if acquired by gift from a connected person.
- ADS of 3% chargeable on residential properties.
- SDLT & LTT applies to property purchases in England/NI & Wales respectively.
- 0.5% SDLT charge on share acquisition.

Disposals



Property held personally

- Subject to capital gains tax on disposal.
- Higher rate of 18% or 28% applies to the disposal of residential property.
- No tax charge on disposal of main private residence.
- Annual exemption may reduce chargeable gain.

Property held in company

- Taxed on gain arising at corporation tax rate.
- Indexation allowance is removed with effect from 1 January 2018.
- Potential 28% tax charge if residential property within ATED regime.

Extraction of Funds



Property held in company

- Income tax charge to extent profits extracted from company.
- Salary or bonus subject to PAYE and NIC.
- Dividends taxed at 7.5%, 32.5% and 38.1%.
- Dividend allowance applies to first £2,000 of dividend income.
- Liquidation or winding up company may attract capital treatment.
- Dividend income not subject to SRIT.

Annual Tax on Enveloped Dwellings (ATED)



Property held personally

- No charge to ATED.

Property held in company

- Residential properties held in a company subject to ATED.
- Banded tax charges on values over £500,000.