



A Guide to...

Using a Limited Company for Buy to Let Properties

If your client is considering investing in Buy to Let properties through a Limited Company, it is important they understand the advantages, disadvantages and responsibilities associated with company ownership before making a decision. We would certainly suggest that advice is taken from a financial and legal point of view before proceeding.

The information presented in this guide is intended for authorised brokers and intermediaries only. No one else should use this information as a basis for any financial decisions. Please contact your financial and legal adviser.



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Should my client set up a Limited Company for their Buy to Let properties?

There is not a straightforward answer to this question. For each case, the response could differ depending on personal circumstances, future intentions, and the availability of mortgage finance to Limited Companies for the purchase of Buy to Let properties. Your client should also be mindful that a Limited Company is required to file the accounts and financial status of the entire property portfolio with Companies House on an annual basis.

Advantages

Higher tax relief

From 2017 to 2020 the amount of Buy to Let tax relief individual landlords can claim back will be progressively cut from a maximum of 45% to 20% for top rate taxpayers. However, this change does not affect Limited Companies. Therefore, if your client is a top rate tax payer, the tax payable via a Limited Company will be lower than tax on individual income.

No tax on dividends ≤£5,000 for individuals

From April 2016, the Dividend Tax Credit will be replaced by a new tax-free Dividend Allowance of £5,000. This means your client can potentially receive tax free dividend income from their investment properties.

No income tax when reinvesting profits to secure further properties

Your client could grow a BTL portfolio more quickly within a Limited Company as there will be no income tax on the retained profit, thus allowing more cash to re-invest. Although corporation tax is payable on trading profits (20%; 2015/16; reducing to 18% by 2020), this is lower than the higher income tax rate (40% for £31,786 to £150,000; 2015/16).

Personal funds can be drawn back out of the company

Any advances your client makes to their Limited Company (e.g. the mortgage deposit), they can draw back out of the company by way of Directors Loan.

Disadvantages

No Capital Gains Tax (CGT) allowance when the company sells a property

Whereas individuals selling a property would have £11,100 CGT allowance (2015/16)

Additional cost of running a Limited Company

Such costs include the preparation of accounts, company tax and corporation tax calculations for HMRC, filing at Companies House, legal fees, and annual auditing if applicable. A client's accountant may also charge higher fees when preparing accounts for Limited Companies.

Higher mortgage rates

Most lenders charge higher interest rates and fees for Limited Companies compared to Individual Buy to Let mortgages.

Reduced choice of lenders and mortgages

Many lenders do not offer mortgages to Limited Companies, and often if they do, the product range is much smaller. However, at Fleet Mortgages we offer almost as many Limited Company products as Individual products, ranging from 65% LTV up to 80% LTV.

Should my client transfer from Individual name to Limited Company?

It should be recognised that transferring existing properties from an individual name into a Limited Company structure may be more complex than purchasing new properties within. Your client would be liable to pay Capital Gains Tax and Stamp Duty Land Tax (SDLT) on the transfer, which tends to make this less desirable. On the other hand, this decision may depend on your client's future intentions since many landlords who want to expand their portfolio do so via a Limited Company structure, and may be willing to carry these one off costs to do so. (Please note Fleet Mortgages are only able to deal with cases where the transfer has already been made.)

Why Fleet Mortgages?

Fleet Mortgages has a fantastic range of products specifically designed for those buying through a Limited Company. With our breadth of experience, we not only provide attractive rates but also flexible criteria, offering a Limited Company as a complete solution to clients.

- Experienced and first time landlords accepted.
- The Limited Company can be new, existing, or a subsidiary.
- SPV (Special Purpose Vehicle) not lender specific
- Rental calculation products available – borrow more with our rental calculation at 125% of initial rates.
- Up to 80% LTV for selected products.
- Wide range of products available, specifically designed for Limited Companies.

LTV	Product Type	Initial Rate End Date	Initial Rate	Fee	ERC	Revert Rate
65%	Fixed	31/12/2017	3.99%	1.5%	5% to 31/12/2017	5.35% (LIBOR+4.75%)
65%*	Fixed	31/12/2017	4.29%	£750	5% to 31/12/2017	5.35% (LIBOR+4.75%)
65%	Fixed	31/12/2020	4.49%	1.5%	5% to 31/12/2020	5.35% (LIBOR+4.75%)
65%**	Fixed	31/12/2020	4.59%	1.5%	5% to 31/12/2020	5.35% (LIBOR+4.75%)
65%	Lifetime Tracker	-	3.99% (LIBOR+3.39%)	1.5%	3% for 3 years	-
65%**	Lifetime Tracker	-	4.29% (LIBOR+3.69%)	1.5%	3% for 3 years	-
75%	Fixed	31/12/2017	4.19%	1.5%	5% to 31/12/2017	5.35% (LIBOR+4.75%)
75%*	Fixed	31/12/2017	4.39%	£750	5% to 31/12/2017	5.35% (LIBOR+4.75%)
75%	Fixed	31/12/2020	4.69%	1.5%	5% to 31/12/2020	5.35% (LIBOR+4.75%)
75%**	Fixed	31/12/2020	4.79%	1.5%	5% to 31/12/2020	5.35% (LIBOR+4.75%)
75%	Lifetime Tracker	-	4.19% (LIBOR+3.59%)	1.5%	3% for 3 years	-
75%**	Lifetime Tracker	-	4.49% (LIBOR+3.89%)	1.5%	3% for 3 years	-
80%	Fixed	31/12/2017	4.89%	1.5%	5% to 31/12/2017	5.35% (LIBOR+4.75%)
80%	Lifetime Tracker	-	4.79% (LIBOR+4.19%)	1.5%	3% for 3 years	-

* Maximum loan size £250,000

** Rental Calculation 125% of the initial rate. Available to good scoring customers only



How do Fleet Mortgages underwrite a Limited Company?

When applying for a loan from Fleet Mortgages via a Limited Company, the following criteria applies:

- Fleet Mortgages will **only accept applications from an SPV** (Special Purpose Vehicle) Limited Company. It must be registered at Companies House and the **appropriate SIC code must be in place**. The following SIC Codes apply:
 - o 68100 Buying and selling of own real estate
 - o 68209 Other letting and operating of own or leased real estate
 - o 68320 Management of real estate on a fee or contract basis
 - o 68201 Renting and operating of Housing Association real estate
- The Limited Company must be **registered in England & Wales**.
- **All directors and shareholders will be underwritten**. The primary director must fully meet our criteria.
 - o Fleet Mortgages will obtain Personal Guarantees from all Directors and Shareholders.
 - o Up to four directors and/or shareholders will be accepted.
- **Credit Referencing**
 - o Fleet Mortgages reserve the right not to proceed with applications where any director or shareholder of a Limited Company, or the Limited Company itself has adverse credit.
 - o A Limited Company search will be carried out if the primary customer is a Limited Company. This is in addition to the credit search on all directors/shareholders.
- **Face to face independent legal advice** - An independent legal advice certificate must be completed and signed by both the solicitor and the guarantor for each application.

For further information:

- Tax and tax credit rates and thresholds for 2015-16
<https://www.gov.uk/government/publications/tax-and-tax-credit-rates-and-thresholds-for-2015-16/tax-and-tax-credit-rates-and-thresholds-for-2015-16>
- Tax related to running a Limited Company
<https://www.gov.uk/running-a-limited-company/taking-money-out-of-a-limited-company>
- Corporation Tax Rates and Reliefs
<https://www.gov.uk/corporation-tax-rates>
- Stamp Duty Land Tax
<https://www.gov.uk/stamp-duty-land-tax/land-and-property-transfers>



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