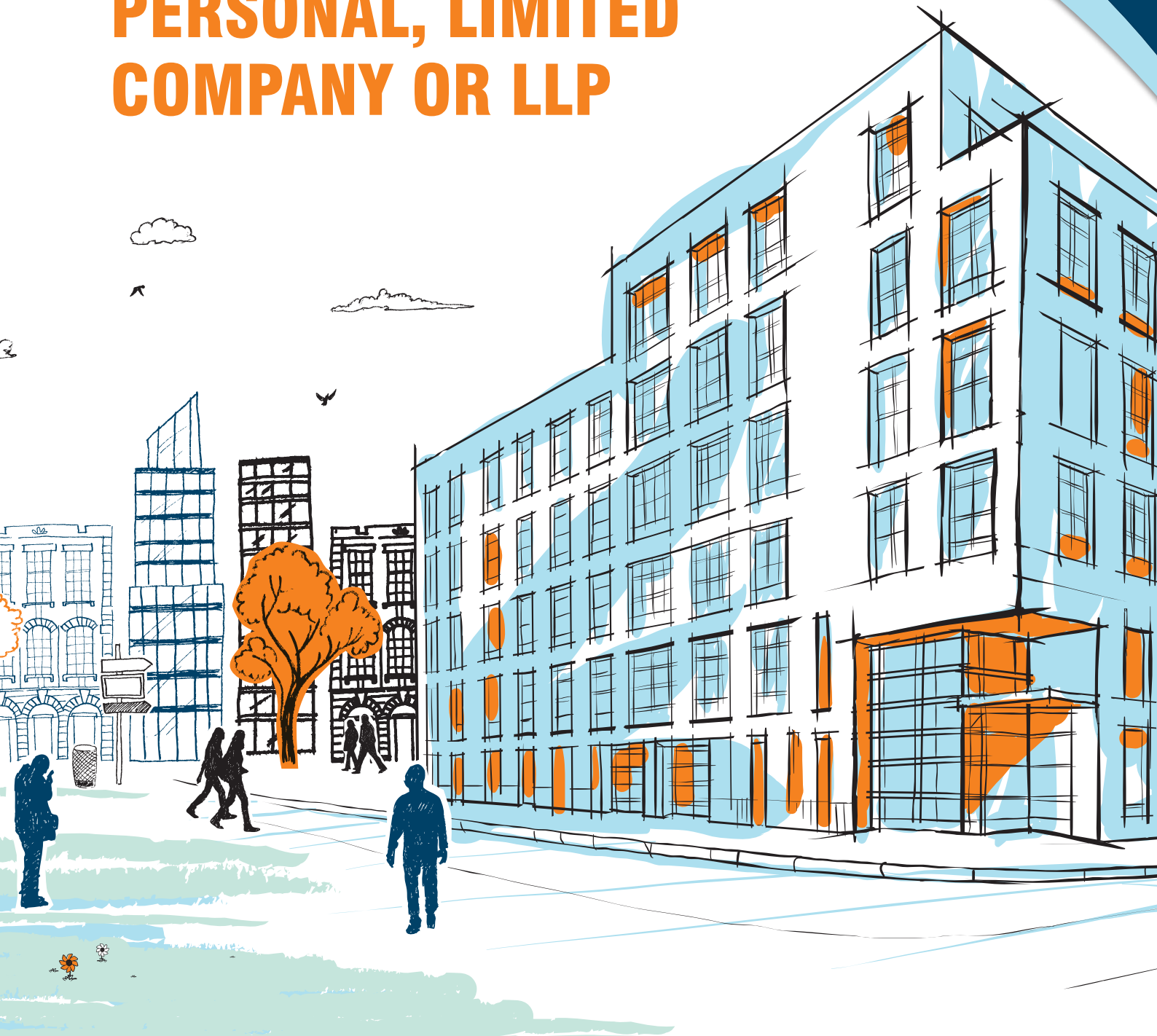




George Hay
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PROPERTY OWNERSHIP PERSONAL, LIMITED COMPANY OR LLP



Buy-to-let property is still, for those with the means to do so, an **attractive investment opportunity** since it can provide both regular and substantial income.

Consequently, we often get asked about the different structures available when it comes to property ownership and if there is one that is better than the others.

Circumstance dictates the answer in most cases, and there is a huge amount to consider, so it would be prudent to discuss your plans and objectives with an accountant before making any decisions.

4 key considerations

1 Costs

Consider carefully the costs involved in each arrangement; the cost to transfer an existing portfolio to a company, the mortgage rates that you may or may not have access to, and any compliance or administrative costs.

2 Liability

A company structure can afford you protection for your personal assets and shield you from legal or financial issues relating to the business.

3 Tax position and planning

As with any business or investment decision, it is wise to consider the associated tax position, planning opportunities and potential liabilities. Where property is concerned, this can be complex and so it is worth seeking advice to ensure that your portfolio is structured as tax-efficiently as possible.

4 Long-term objectives

Your long-term objectives, specifically what you hope to gain from your investment, and what you intend to do with it further down the line, should be given serious consideration when deciding whether to purchase property as yourself, via a limited company, or an LLP.

Comparing personal ownership, limited company or LLP

Here we offer a brief (and certainly not exhaustive) comparison between owning property personally, as a limited company, and as an LLP:

	Personal ownership	Limited company	LLP
Liability	When owning property personally, your liability is, effectively, 'unlimited', putting your personal assets and effects at risk.	Limited companies and LLP's both afford 'limited liability', meaning your personal assets are ringfenced from those of the business, and you are legally separate from the company/partnership.	
Income	The income you receive is more easily accessible since it is paid straight into your own personal accounts.	Directors and shareholders in a company can be paid by way of salary, dividends or a combination of both. Remuneration is made out of post-tax profits.	Partners in the LLP will be allocated a share of the profits, according to their profit sharing.
Tax rates, CGT and IHT	<p>Income will be taxed at 20%, 40% or 45%. Rental income will be added to other income for tax purposes.</p> <p>Individuals have a Capital Gains Tax (CGT) allowance (£6,000 in 2023/24, and £3,000 from 2024/25), with the balance taxable at either 18% or 28% depending on income tax band. Certain reliefs may be available, so it's worth seeking tax planning advice.</p> <p>Properties form part of your estate for Inheritance Tax (IHT) purposes, which is payable at 40% over £325,000.</p>	<p>Corporation Tax is payable at lower rates, when compared with income tax – at 19%, 25% or 26.5% depending on profits. This can allow for greater retained profits, that could be reinvested in the portfolio.</p> <p>Limited companies do not benefit from CGT allowance.</p> <p>The company itself is not liable to IHT, but the shareholders shares form part of their personal estate.</p>	<p>Members of the LLP pay Income Tax on their share of the properties. LLP's as an entity are tax transparent.</p> <p>Where gains are realised on the sale of property, individual partners pay CGT on their share of the gain.</p> <p>For the purposes of IHT, the LLP label is essentially looked through. Members will be liable to IHT where their estate exceeds the IHT threshold.</p>
Mortgage costs	Mortgage rates may be more favourable when purchasing property as an individual, but bear in mind that deductions from property income cannot be made for finance costs, including mortgage interest. Instead a basic rate tax reduction is afforded.	Obtaining a mortgage via a limited company or an LLP is not as straightforward as doing so personally, and rates are not likely to be as favourable. Mortgage interest relief may be claimed in certain instances.	
Administration	The administration associated with owning a property portfolio personally is, for the most part, a lot less onerous and involved than that associated with a company or LLP structure.	Incorporating a company brings with it added costs and compliance requirements. Directors are responsible for ensuring that accurate bookkeeping processes are implemented and that annual accounts/company tax returns are filed on time.	LLPs also require some administrative effort. In addition to annual accounts, and confirmation statement, a partnership tax return will also need to be filed, as well as individual tax returns for each partner.
Flexibility and ownership	You have flexibility to manage your portfolio as you see fit, and to invest and/or sell up without needing to consider the constraints of a legal structure.	Changing the ownership structure of a limited company can be challenging. Transfer of shares requires formal documentation and must adhere to company law.	Partners are able to join and leave with relative ease, and ownership shares can be reallocated and transferred. However, this can give rise to tax charges in some instances.

How can George Hay help?

The decision about which structure to choose depends on various factors, such as the number of investors involved, tax planning objectives, administrative capabilities, and long-term goals.

Our team of property tax experts and business advisers can help you to make an informed choice about which structure is best suited to your requirements.

To discuss your property ownership plans with us, or for advice on the options available to you, contact us today.

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