

Tax advice beyond compliance.

Your goals first. Your tax planned around them.

Most investors meet their tax adviser after the deal is done, when the options have gone. We work the other way round: we start with what you are trying to build, plan the tax around it, then handle the returns and filings that follow. AP Tax Advisors is a practice in Harrow, London, led by a Chartered Tax Adviser and supervised for anti-money laundering by the Chartered Institute of Taxation.

Your strategy decides your tax.

Ten property strategies. What you pay, and how to pay less.

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Chartered Tax Adviser

Your advice comes from, and is signed off by, a Chartered Tax Adviser.

Free consultation

A first conversation about your numbers before you commit to anything. Bring your last tax return and mortgage details.

Fixed fee, agreed first

You know the cost before any work starts. No hourly meter.

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How to use this guide

1 · Find your strategy
Two pages each, your number on the first

2 · Choose your structure
The matrix on page 23, then the detail

3 · Claim your expenses
The claims box on every strategy; start with buy-to-let, page 4

4 · Talk to us
Your facts decide the answer

Not sure where to start? Talk to us.

Book a free consultation

01 LONG-TERM RESIDENTIAL LETS

Buy-to-let

WHAT IT IS

You buy a home and let it to tenants on a long-term tenancy, earning rent now and capital growth over time.

Suits long-term investors building wealth steadily, whether hands-on or through a letting agent.

WHY INVESTORS USE IT

- ✓ **Monthly income.** Rent arrives every month.
- ✓ **Capital growth.** Long-term value gains.
- ✓ **Leverage.** A mortgage magnifies your return on cash.
- ✓ **Can be passive.** A letting agent can run it for you.

WHAT TO WATCH

- ✗ Mortgage interest earns a 20% credit, not a full deduction; income tax rates on rent rise from April 2027.
- ✗ Tenancy law keeps changing, adding cost and risk.
- ✗ Interest rates and empty periods squeeze cash flow.

£2,950

is the income tax on a typical buy-to-let this year: more than the £1,750 of cash the flat leaves you.

HMRC taxes the £13,000 before interest, then gives back only 20% of the interest. From April 2027: £2,985. Same flat in a company: about £333 (p26).

Rent, £1,250 a month	£15,000
Mortgage interest (75% loan at 5%)	£11,250
Other running costs	£2,000
Cash left to you	£1,750
Income tax, as a 40% taxpayer	£2,950

HOW TO HOLD IT

[Compare all on p23](#)

Own name p24
one or two lets, basic rate

Jointly p24
lower-rate spouse: Form 17

Company p26
several lets, higher rate, reinvest

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Buy	Stamp duty (SDLT) Applies	England and Northern Ireland. If you, your spouse or a co-buyer owns another home (£40,000+) anywhere, or you buy via a company, 5% is added to every rate; non-UK residents add 2%. A company buying a home over £500,000 pays 17% of the whole price unless it claims a relief on its return, such as letting to tenants unconnected with you or the company.
Let	Income tax Applies	Profit is taxed at 20–45%, rising to 22–47% from April 2027 (Scotland and Wales can differ). Mortgage interest isn't deducted: you get a 20% tax credit instead (22% from April 2027), so rent plus salary can push you past £60,000 (child benefit charge) or £100,000 (allowance lost). Rent isn't earnings: no National Insurance.
	Corporation tax Company only	Through a company: 19–25%, with the £50,000 and £250,000 limits shared with companies you control . Interest is deducted in full. Letting mainly to family or other connected people makes it a close investment-holding company: no 19% rate, 25% on all profit.
	ATED Company only	The annual tax on company-owned homes: a company owning a home worth over £500,000 pays from £4,600 a year. Letting to unconnected tenants cuts it to nil, but only if a relief return is filed by 30 April each year (30 days after a mid-year purchase): miss it and penalties run with no tax due.
Sell	Capital gains tax Applies	18% or 24% on the gain after a £3,000 annual exemption. Report and pay within 60 days of completion through HMRC's online property account if tax is due (always report if non-resident), then repeat it on your return. Only a home you lived in gets private residence relief. A company pays corporation tax instead.
Pass on	Inheritance tax Applies	40% on your estate above £325,000. Letting is an investment, so business relief doesn't apply, and the extra £175,000 home band covers only a home you lived in, left to direct descendants.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Buy-to-let: how to pay less tax

INCOME TAX

Use your spouse's lower tax band

Married couples and civil partners who own jointly are taxed 50:50 unless you hold unequal shares as tenants in common under a declaration of trust and both sign [Form 17](#), received by HMRC within 60 days of signing; it works from the signing date, for income only. Moving a share is free of capital gains tax (CGT); stamp duty can apply to a mortgage share taken over (p24).

New landlord? Tell HMRC by 5 October

Register for Self Assessment by 5 October after the tax year your letting starts, or risk penalties if tax is due.

Check interest after refinancing

HMRC's current view: interest gets relief only if the borrowed money went into the letting business. Interest on money spent personally can lose relief.

STRUCTURE

Buy new property in a company

From April 2027, you earn £60,000; the let brings £24,000 rent, £10,000 interest, £4,000 other costs. We model both.

CASH KEPT A YEAR

Personally	£3,800
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Through a company, after dividend tax	£5,383
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Before the cost of a company mortgage and accounts: see p26.

Moving existing lets is a sale

Moving lets to your own company triggers CGT and stamp duty (SDLT) at market value. [Incorporation relief](#) can defer the CGT if you run a genuine business; from April 2026 it must be claimed. SDLT is often the bigger cost.

CAPITAL GAINS TAX

Time sales across tax years

Each owner has a £3,000 exemption and a basic-rate band every tax year. Sell one before 5 April and one after to use two years' allowances; exchange date counts.

Lived there? Use private residence relief

Periods you lived there, plus the last 9 months of ownership, are free of CGT. Lettings relief now helps only if you shared the home with your tenant.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME

- | | |
|--|---|
| ✓ Letting and management fees | ✓ Repairs and like-for-like replacements |
| ✓ Insurance, ground rent, service charges | ✓ Council tax and bills while empty |
| ✓ Safety certificates and licences | ✓ Accountancy, software, phone, broadband |
| ✓ Home office: a fair share of household bills | ✓ Mileage: 55p a mile to 10,000, then 25p |
| ✓ Costs up to 7 years before your first let | |

ADD TO COST: CUTS CGT

- | | |
|-----------------------------------|-------------------------------|
| – SDLT and legal fees on purchase | – Improvements and extensions |
| – Agent and legal fees on sale | |

NOT DEDUCTIBLE

- | | |
|-----------------------------------|-------------------------------------|
| ✗ First furniture and fittings | ✗ Loan capital repaid |
| ✗ Your own time | ✗ Property courses before you start |
| ✗ Fines, penalties, private share | |

THREE QUESTIONS BEFORE YOU START

Is the mortgage the problem?

For a higher-rate taxpayer, interest relief at 20% can leave the tax bill bigger than the cash. Run the number on p3 on your own flat.

Whose name is it in?

A spouse or civil partner on a lower rate, with the shares set by Form 17, can cut the bill by moving a share of the property, not the whole thing.

Will you buy another?

You can leave this flat in your name and buy the next in a company; the two sit side by side. Decide the structure before the next purchase, not after.

Your numbers decide. Talk to us before you commit.

Book a free consultation

02 HOUSES IN MULTIPLE OCCUPATION HMOs

WHAT IT IS

You let a house room by room to 3 or more tenants from 2 or more households, who share a kitchen or bathroom.

Suits investors after higher yields who can handle licensing, compliance and hands-on management.

WHY INVESTORS USE IT

- ✓ **Higher rent.** Rooms together earn more than the whole house.
- ✓ **Spread risk.** One empty room, not an empty house.
- ✓ **Strong demand.** Professionals, key workers and students.
- ✓ **Cash flow.** Higher yields can carry more borrowing.

WHAT TO WATCH

- ✗ Licensing, fire safety and management standards.
- ✗ Higher running costs and tenant turnover.
- ✗ Interest relief is capped for owners holding personally.

£8,550

is the income tax on a five-room HMO this year, out of the £15,750 of cash it leaves you.

Interest earns only a 20% credit, so the tax is over half the cash. Same house in a company: about £3,000 before you draw anything out (p26).

Rent, five rooms at £650 a month	£39,000
Bills and running costs	£12,000
Mortgage interest (75% loan at 5%)	£11,250
Cash left to you	£15,750
Income tax, as a 40% taxpayer	£8,550

HOW TO HOLD IT

Compare all on p23

Own name
a single HMO, basic rate

p24

Partnership
spouse or partner really involved

p25

Company
a portfolio you reinvest

p26

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Buy	Stamp duty (SDLT) Applies	England and Northern Ireland. An HMO is one dwelling. If you, your spouse or a co-buyer owns another home (£40,000+) anywhere, or you buy via a company, 5% is added to every rate; non-UK residents add 2%.
Convert	VAT Check	Turning a single home (not an existing HMO) into an HMO, or renovating a home empty for 2 years or more, can qualify for 5% VAT on the building work from a VAT-registered builder, provided you hold any planning and building control approvals needed. Residential rent is VAT-exempt: you charge no VAT, cannot reclaim VAT on your costs, and cannot opt to tax a home, so the 5% is a final saving.
Let	Council tax Applies	In England an HMO normally gets one council tax bill; you, the landlord, pay it and can deduct it. It's exempt if every tenant is a full-time student.
	Income tax Applies	Profit is taxed at 20–45%, rising to 22–47% from April 2027 (Scotland and Wales can differ). Mortgage interest isn't deducted: you get a 20% tax credit instead (22% from April 2027), so rent plus salary can push you past £60,000 (child benefit charge) or £100,000 (allowance lost). Rent isn't earnings: no National Insurance.
	Corporation tax Company only	Through a company: 19–25%, with the limits shared across companies you control . Interest is deducted in full.
	ATED Company only	A company owning a home worth over £500,000 pays from £4,600 a year unless it files a relief return by 30 April each year (30 days after a mid-year purchase); miss it and penalties run with no tax due.
Sell	Capital gains tax Applies	18% or 24% on the gain after a £3,000 annual exemption. Report and pay within 60 days of completion if tax is due (always report if non-resident). A company pays corporation tax instead.
Pass on	Inheritance tax Applies	40% on your estate above £325,000. Letting rooms is still an investment, however hands-on, so business relief rarely applies.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

HMOs: how to pay less tax

VAT

Agree 5% VAT before works start

Converting a single home? Give your builder the evidence first: VAT overcharged is hard to get back, and you can't reclaim it.

VAT ON £80,000 OF QUALIFYING WORK

Charged at 20%	£16,000
Charged at 5%	£4,000
Saved	£12,000

INCOME TAX

Use your spouse's lower tax band

Married couples and civil partners who own jointly are taxed 50:50 unless you hold unequal shares as tenants in common under a declaration of trust and both sign [Form 17](#), received by HMRC within 60 days of signing; it works from the signing date, for income only. Moving a share is free of capital gains tax (CGT); stamp duty can apply to a mortgage share taken over (p24).

Live in it? Use rent-a-room relief

Letting furnished rooms in your own main home: up to £7,500 a year is tax-free (£3,750 each if shared).

Check interest after refinancing

HMRC's current view: interest gets relief only if the borrowed money went into the letting business. Interest on money spent personally can lose relief.

INCOME TAX, CONTINUED

New landlord? Tell HMRC by 5 October

Register for Self Assessment by 5 October after the tax year your letting starts, or risk penalties if tax is due.

Be wary of capital allowance claims

Some promoters claim capital allowances on fire systems and fittings in shared areas. HMRC treats each room plus the shared kitchen, bathroom and lounge as the dwelling, where none are due; only plant in true common parts (hallway, stairs) can qualify.

STRUCTURE

Buy new HMOs in a company

Higher-rate owners with mortgages often keep more in a company: full interest deduction, 19–25% on profit, dividend tax when drawn; dearer to run. Compare on p26.

Moving existing HMOs is a sale

Moving lets into your own company triggers CGT and stamp duty (SDLT) at market value. [Incorporation relief](#) can defer the CGT for a genuine business; hands-on HMO management helps show one. How on p27.

CAPITAL GAINS TAX

Time sales across tax years

Each owner has a £3,000 exemption and a basic-rate band every tax year. Exchanging one sale by 5 April and another after it uses two years' worth.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME

- ✓ Utilities and broadband you pay
- ✓ Cleaning and gardening
- ✓ Letting and management fees
- ✓ Insurance
- ✓ Like-for-like replacements

- ✓ Council tax you pay
- ✓ Repairs and maintenance
- ✓ HMO licence fees
- ✓ Safety and fire checks
- ✓ Accountancy and software

ADD TO COST: CUTS CGT

- Conversion works and extensions
- SDLT and legal fees on purchase

- New fire doors and alarm systems

NOT DEDUCTIBLE

- ✗ First fit-out of furniture
- ✗ Your own time
- ✗ Loan capital repaid
- ✗ Fines and penalties

THREE QUESTIONS BEFORE YOU START

Is it licensed?

Most HMOs of five or more need a mandatory licence; councils add their own schemes. Fees are deductible, fines are not.

Converting a house?

The 5% VAT rate on turning a single home into an HMO can save thousands on the works. Agree it with the builder first.

Who pays the bills?

Usually you, council tax included, and they all come off the rent. Keep every utility bill.

03 BUY, REFURBISH, REFINANCE, RENT BRRR

WHAT IT IS

You buy a run-down property below its potential value, refurbish it, refinance at the higher value to pull your cash out, then let it long-term.

Suits hands-on investors with upfront cash or bridging finance who want to recycle it into more property.

WHY INVESTORS USE IT

- ✓ **Capital recycled.** Refinancing can return much of your cash.
- ✓ **Built-in equity.** The work adds value.
- ✓ **Long-term income.** Rent and growth, like buy-to-let.
- ✓ **Repeatable.** The same cash funds the next deal.

WHAT TO WATCH

- ✗ Fixing a run-down purchase is often capital, not a repair.
- ✗ Valuations can fall short on refinance.
- ✗ Refinance money used privately can lose interest relief.

£4,800

is the extra tax if HMRC treats £30,000 of refurbishment as improvements, not repairs.

Works before the first let, on a property you could not let or bought cheaply for its state, are usually improvements.

Refurbishment works	£30,000
As repairs: off rent now, saving 40%	£12,000
As improvements: off the gain at 24%	£7,200
Relief lost	£4,800

HOW TO HOLD IT
Compare all on p23

Own name p24
fine for the first one or two

Company p26
recycling cash into the next deal

Holding company p28
separate deals, cash moved across

Your tax journey

Applies **Company only** **Check**

STAGE	TAX	WHAT HAPPENS
Buy	Stamp duty (SDLT) Applies	England and Northern Ireland. If you, your spouse or a co-buyer owns another home, or you buy via a company, 5% is added to every rate; non-UK residents add 2%. A house needing work is still a home for the surcharge (Mudan, 2025).
Refurbish	Income tax Check	Work before the first let on an unlettable or price-cut property is usually capital: it cuts capital gains tax (CGT) later, not rent. Repairs once let are deductible.
	VAT Check	Renovating a home empty for 2+ years, or changing the number of homes in a building, can qualify for 5% VAT from a VAT-registered builder. Residential rent is VAT-exempt: no VAT charged, none reclaimed, no option to tax a home.
Refinance	Income tax Check	Borrowing isn't income. HMRC's current view: interest gets relief only if the money is used in the letting business; taking your own cash back isn't enough.
Let	Income tax Applies	Profit is taxed at 20–45%, rising to 22–47% from April 2027 (Scotland and Wales can differ). Mortgage interest isn't deducted: you get a 20% tax credit instead (22% from April 2027), so rent plus salary can push you past £60,000 (child benefit charge) or £100,000 (allowance lost).
	Corporation tax Company only	Through a company: 19–25%, with the limits shared across companies you control . Interest is deducted in full.
	ATED Company only	A company owning a home over £500,000 pays from £4,600 a year unless a relief return is filed by 30 April each year (30 days after a mid-year purchase).
Sell	Capital gains tax Applies	18% or 24% on the gain after a £3,000 exemption; capital works add to your cost. Report and pay within 60 days if tax is due. A company pays corporation tax instead.
Pass on	Inheritance tax Applies	40% on your estate above £325,000. Letting is an investment, so business relief doesn't apply.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

BRRR: how to pay less tax

INCOME TAX

Split repairs from improvements

Ask for itemised invoices. Restoring what was there, even with a modern equivalent, is a repair once let; upgrades cut your capital gains tax (CGT) on sale instead.

Track where refinance money goes

Keep money used in the letting business separate from private withdrawals, so the interest on it keeps its relief.

New landlord? Tell HMRC by 5 October

Register for Self Assessment by 5 October after the tax year your letting starts, or risk penalties if tax is due.

Use your spouse's lower tax band

Spouses and civil partners living together who own jointly are taxed 50:50, or on real unequal shares (held as tenants in common, recorded in a declaration of trust) if HMRC gets [Form 17](#) within 60 days of the last signature; it works from the date you signed.

STRUCTURE

Lend your company the money

Your company buys at £150,000 plus £40,000 of works; you lend it the full £198,000, including £8,000 stamp duty (SDLT). Valued at £260,000, a 75% mortgage releases £195,000, all repaid to you tax-free; it still owes you £3,000.

STRUCTURE, CONTINUED

Don't draw more than you lent

Draw £20,000 more than it owes you, unpaid 9 months after year end, and the company pays £7,150 ([s455](#)), refunded on a claim 9 months after the year end in which you repay. Owing over £10,000 interest-free is also a taxable benefit.

Buy in a company if you'll reinvest

Higher-rate owners recycling profit into more deals often pay less at 19–25%, with interest deducted in full; dividends you draw are taxed again. Compare on p26.

VAT

Ask your builder for 5% VAT

For qualifying work to a long-empty home. Agree it before work starts: overcharged VAT is hard to get back.

VAT ON £40,000 OF QUALIFYING WORK

Charged at 20%	£8,000
Charged at 5%	£2,000
Saved	£6,000

CAPITAL GAINS TAX

Plan to hold, not flip

Sell soon after refurbishing and HMRC may say you were trading: income tax and National Insurance (NI) on the profit, not CGT. Your intention at purchase matters.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME	✓ Insurance and safety certificates	✓ Repairs and maintenance once let
	✓ Letting and management fees	✓ Council tax and bills you pay
	✓ Like-for-like replacements	✓ Accountancy and software
	✓ Interest and fees: 20% credit, not a deduction (22% from 2027); full deduction in a company	
ADD TO COST: CUTS CGT	– SDLT and legal fees on purchase	– Capital works to make it lettable
	– Improvements and extensions	– Agent and legal fees on sale
NOT DEDUCTIBLE	✗ First furnishing	✗ Loan capital repaid
	✗ Your own time	✗ Fines and penalties

THREE QUESTIONS BEFORE YOU START

Repair or improvement?

Works before the first let are usually capital: nothing off this year's rent. Photograph the condition at purchase and keep the survey.

Where does the refinance money go?

Into the next property and interest relief follows it. Into your own pocket and HMRC's current view is that relief can be lost.

Will the valuation hold?

If the lender's figure falls short, cash stays trapped. Model the deal at 10% below your expected value.

04 Flips

BUY, REFURBISH, SELL

WHAT IT IS

You buy a property below its potential value, refurbish it and sell it for a profit, usually within months.

Suits investors with project skills and short-term finance, who accept that profit may be taxed as income.

WHY INVESTORS USE IT

- ✓ **Lump-sum profit.** Returns in months, not years.
- ✓ **Capital recycled.** Money moves straight into the next deal.
- ✓ **Value you control.** Profit comes from your work.
- ✓ **No tenants.** Nothing to manage after the sale.

WHAT TO WATCH

- ✗ Refurbishment overruns and finance costs.
- ✗ The market can move while you hold.
- ✗ Profit is often taxed as income, not as a gain.

£13,889

is the tax and National Insurance on £60,000 of profit from one flip, with no other income.

Buying to sell is a trade, whatever you call it. A company helps only if the profit stays in (p10).

Flip profit	£60,000
Taxed as a trade: income tax plus NI	£13,889
In a company, profit kept in	£12,150
In a company, drawn out in full	£15,889
If it were a capital gain instead	£11,418

HOW TO HOLD IT

Compare all on p23

Own name p24
one flip you need the cash from

Company p26
19–25%, not up to 45% plus NI

Company per project p28
each deal apart; limits shared

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Buy	Stamp duty (SDLT) Applies	England and Northern Ireland. If you, your spouse or a co-buyer owns another home, or you buy via a company, 5% is added to every rate; non-UK residents add 2%. A house needing work is still a home for the surcharge (Mudan, 2025). A company buying a home over £500,000 to resell claims developer relief from the 17% rate (clawed back if plans change in 3 years).
Refurbish	VAT Check	Selling an existing home is VAT-exempt, so VAT on the works is a cost. A home empty for 2+ years can qualify for 5% from a VAT-registered builder.
	Construction Industry Scheme Check	Developing as a trade? Paying builders makes you a Construction Industry Scheme (CIS) contractor: register before the first payment, verify each subcontractor, deduct 20% (30% if unverified) from the labour part and file monthly returns.
Hold	ATED Company only	A company holding a home over £500,000 is within ATED (annual tax on company-held homes); developer relief cuts it to nil if claimed by 30 April (30 days if bought mid-year).
Sell	Income tax Check	If the facts point to a trade (buying to resell, short-term finance, a quick sale, repeat deals), profit is income: 20–45% plus Class 4 National Insurance (NI), not the property rates. Land bought mainly to sell is income anyway.
	Capital gains tax Check	Only if the facts show an investment, such as a home bought to let and sold later: 18% or 24% after a £3,000 exemption, reported within 60 days.
	Corporation tax Company only	In a company, profit is taxed at 19–25% either way; limits shared across all your companies.
	Your own home Check	Living there isn't decisive: private residence relief is denied if you bought to make a gain, and repeat live-in flips can be a trade.
Pass on	Inheritance tax Check	No business relief for buying to resell; real development, where profit comes from the work, can.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Flips: how to pay less tax

TRADE OR INVESTMENT

Settle it before you buy

Your intention, finance and paperwork at purchase drive the answer, not the label you choose. Record them: HMRC may ask.

Keep flips and lets apart

Clear records, or separate companies (which [share the corporation tax limits](#)), show which properties are stock for resale and which are investments.

Use trading losses

A loss on a flip taxed as a trade can be set against your other income that year or the year before, within limits. A capital gains tax (CGT) loss only offsets gains.

STRUCTURE

Compare company and personal

Say £60,000 profit, no other income, 2026/27. Trade or investment depends on the facts, not your choice; investments get fewer costs deducted.

TAX ON £60,000 PROFIT

Personal trade: income tax and NI	£13,889
Company, profit kept in	£12,150
Company, all drawn as dividends	£15,889
Genuine investment: CGT	£11,418

STRUCTURE, CONTINUED

Leave profit in to win

A company wins only on profit you keep in for the next deal. Drawn out in full, a company costs more: see the table on this page.

VAT

Ask your builder for 5% VAT

For qualifying work to a home empty 2+ years. Keep evidence of the empty period and agree the rate before work starts.

VAT ON £40,000 OF QUALIFYING WORK

Charged at 20%	£8,000
Charged at 5%	£2,000
Saved	£6,000

INCOME TAX

New trader? Tell HMRC by 5 October

Register for Self Assessment by 5 October after your first tax year, or risk penalties if tax is due.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

IF TRADING:

DEDUCT FROM PROFIT

- ✓ Insurance, utilities and council tax
- ✓ Refurbishment and build costs
- ✓ Sale agent and legal fees
- ✓ Property unsold at year end? Companies, and traders not on the cash basis, deduct its costs only when it sells
- ✓ Purchase price, SDLT and legal fees
- ✓ Finance interest and fees
- ✓ Accountancy and software

IF INVESTMENT:

ADD TO COST

- Purchase price, SDLT and legal fees
- Sale agent and legal fees
- Improvements

NOT DEDUCTIBLE

- ✗ Your own labour
- ✗ Fines and penalties
- ✗ Private use of the property
- ✗ Loan capital repaid

THREE QUESTIONS BEFORE YOU START

Trade or investment?

Buying to sell is a trade: income tax and National Insurance (NI), not CGT. Decide what you are doing before you buy and keep the facts consistent.

Living in it?

Private residence relief is denied if you bought to make a gain, and repeat live-in flips are a trade.

Who is paying the builders?

A developer paying builders is a Construction Industry Scheme (CIS) contractor: register before the first payment, then verify each subcontractor and file monthly returns.

05 SERVICED ACCOMMODATION Rent-to-SA

WHAT IT IS

You rent a property from an owner on a long agreement, then let it night by night to guests, contractors and travellers, keeping the difference.

Suits hands-on operators with some capital who can run a hospitality business without buying property.

WHY INVESTORS USE IT

- ✓ **Control without buying.** No mortgage or purchase deposit.
- ✓ **Low capital.** Furnishing and set-up costs only.
- ✓ **Higher income.** Nightly rates can beat a single long let.

WHAT TO WATCH

- ✗ You pay the rent even when the unit is empty.
- ✗ Leases, mortgages and planning can restrict short lets.

£7,833

is the profit lost by growing bookings from £89,000 to £95,000, because crossing £90,000 brings VAT.

Past £90,000 a sixth of every booking is VAT. Hold below the line, or price for VAT from day one (p12).

Bookings £89,000, no VAT: profit	£21,000
Bookings £95,000: net VAT due	£13,833
Profit once registered	£13,167
Profit lost	£7,833

HOW TO HOLD IT

Compare all on p23

Own name p24
simple; taxed at your rate

Partnership p25
spouse or partner who takes part

Company p26
profits reinvested; VAT the same

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Set up	Stamp duty (SDLT) Check	England and Northern Ireland; a licence (not a lease) is usually outside it. A lease pays 1% on total rent for the term, in today's money, above £125,000. A 7+ year lease needs a return even if nothing is due. No 5% surcharge on rent; non-UK residents add 2% on 7+ year leases.
Run	VAT Applies	A home let is exempt; rooms held out to visitors are not: 20% VAT, Airbnb-style or hotel-style alike. Register once turnover passes £90,000 in any rolling 12 months, or will in the next 30 days: tell HMRC within 30 days; VAT runs from the first of the second month after, charged or not. Off-season lets of 28+ days as a home can be exempt in clearly seasonal areas (not London or Edinburgh): HMRC practice; keep a tenancy agreement.
	Business rates Check	England: available 140+ nights and let 70+ in the past year, and business rates replace council tax. Wales: 252 and 182; Scotland: 140 and 70, plus a licence. Otherwise council tax, maybe with a second-homes premium.
	Income tax Applies	Profit after rent and costs is usually property income: 20–45%, rising to 22–47% from April 2027; the holiday-let rules ended in April 2025, so no furniture allowances. Hotel-style services can make it a trade: Class 4 National Insurance (NI), but full interest relief, furniture allowances and wider loss relief. Owner abroad, no UK agent, rent over £100 a week? Register with HMRC's Non-resident Landlord Scheme and withhold 20% unless HMRC approves paying in full; if you don't, you owe the tax (p33).
	Corporation tax Company only	Through a company: 19–25%, with the £50,000 and £250,000 limits shared with companies you control .
	Visitor levy Check	Edinburgh: 5% of the room price before VAT, first 5 nights, from 24 July 2026. Glasgow: 5% from 25 January 2027. Wales: councils can add a levy from April 2027. The guest pays; you collect and pay it over.
Exit	Capital gains tax Check	Selling your leases or the business can be a capital gain (corporation tax in a company). Only a qualifying trade run for 2 years gets Business Asset Disposal Relief: 18% on the first £1 million of lifetime gains.
Pass on	Inheritance tax Check	Holiday lets are usually investments: business relief rarely applies (Pawson, 2013).

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Rent-to-SA: how to pay less tax

VAT

Plan the £90,000 line

Once registered, a sixth of what guests pay is VAT, less VAT on your costs, unless you raise prices. Count full guest payments, cleaning fees included, before commission. Register late and you owe VAT on past takings, less VAT on costs, plus penalties. Reclaim VAT on furniture still held if bought in the last 4 years. Splitting units across linked businesses won't help.

PROFIT A YEAR	
Takings £89,000, not registered	£21,000
Takings £95,000, registered	£13,167
Takings £95,000, flat rate 10.5%	£17,025
Takings £95,000, flat rate 16.5%	£11,325
Rent £48,000 (no VAT); other costs £20,000, of which £12,000 carry VAT.	

Test the flat rate VAT scheme

Pay a fixed % of VAT-inclusive takings and reclaim almost nothing (turnover up to £150,000): 10.5% if goods bought are at least 2% of takings and £1,000 a year, else 16.5%.

Ask the owner about VAT before you sign

A VAT-registered owner can charge 20% VAT on holiday-use rent, reclaimable only under normal VAT accounting. Agree in the lease whether rent includes VAT.

VAT, CONTINUED

Be wary of VAT-on-your-markup promises

Paying VAT only on your margin (the tour operators' scheme) was ruled out for leased flats the operator furnished and serviced (HMRC v Sonder, 2025).

Use the long-stay rule

A flat let by the night to visitors is usually hotel-type for VAT (Realreed, 2023), so when one person stays over 28 days, from day 29 VAT is charged on at least 20% of the price, not all of it. Pure holiday lets don't get this.

BUSINESS RATES

Small business rate relief

In England, one unit with a rateable value under £15,000 gets relief, full at £12,000 or less; add a second unit on or after 27 November 2025 and relief on the first continues for 3 years.

STRUCTURE

Consider a company if you borrow or reinvest

Personally, interest on borrowing gets only a 20% tax credit (22% from April 2027). A company deducts it in full and pays 19–25% on profit kept in, then dividend tax when drawn. Compare on p26.

Keep losses alive

Property losses carry forward against future UK letting profits and are lost only if UK letting stops for good. Company loss rules differ.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME

- ✓ Rent paid to the owner
- ✓ Booking platform and card fees
- ✓ Insurance, repairs and maintenance
- ✓ Accountancy and software
- ✓ Costs in the 7 years before opening, if allowable once running
- ✓ Cleaning, laundry and linen
- ✓ Utilities, broadband and TV licence
- ✓ Like-for-like replacements

SET-UP COSTS: USUALLY NO RELIEF

- First furnishing and capital works
- Deal-sourcing fees paid to secure a lease
- Refurbishment agreed as a lease term
- Allowances on furniture: only if a trade

NOT DEDUCTIBLE

- ✗ Your own time
- ✗ Fines and penalties
- ✗ Personal use
- ✗ Loan capital repaid

THREE QUESTIONS BEFORE YOU START

Where is the £90,000 line?

Rolling 12 months, all units together, overseas platform fees included. Already VAT-registered for another business? It all counts from day one.

Hotel or home?

For VAT, no difference: let by the night to visitors it is hotel-type, 20% either way; only a home let is exempt. For income tax, hotel services can make it a trade.

Can you sublet?

Leases, mortgages and planning can bar short lets. A breach can end the deal and leave you paying the rent.

06 FINDING DEALS FOR INVESTORS

Deal sourcing

WHAT IT IS

You find property deals and package them for investors, earning a fee when they buy.

Suits well-connected people with local knowledge who can analyse deals and sell them to investors.

WHY INVESTORS USE IT

- ✓ **No property needed.** Earn from property without buying.
- ✓ **Low start-up cost.** Marketing, data and your time.
- ✓ **Network.** Builds contacts and a track record.
- ✓ **Funds your own deals.** Fees can become your deposits.

WHAT TO WATCH

- ✗ Anti-money laundering registration and consumer rules.
- ✗ Income is lumpy.

£5,785

is the tax saved on £70,000 of sourcing profit by working through a company and leaving it in.

The saving is real only while the money stays in the company to fund your own deals (p14).

Sourcing profit	£70,000
As a sole trader: tax and NI	£18,089
Company, everything drawn out	£18,958
Company, £12,570 salary, rest left in	£12,304
Saving	£5,785

HOW TO HOLD IT

[Compare all on p23](#)

Sole trader p24
simple; income tax and Class 4 NI

Company p26
fees left in to fund your deals

Partnership p25
two sourcers sharing fees

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Set up	Anti-money laundering Applies	Finding or introducing property on a client's instructions is usually estate agency work. Register with HMRC for supervision before you start trading, and join a complaints (redress) scheme for residential work.
Earn	VAT Check	Your fees carry 20% VAT once registered. Register when fees pass £90,000 in any rolling 12 months, even on residential deals. Fees relate to UK land, so overseas clients pay UK VAT too.
	Income tax Applies	Fees are trading income: 20–45% plus self-employed National Insurance (Class 4). The higher rental income rates from April 2027 don't apply to trading income. You're taxed on fees when paid, not invoiced, unless you opt out of the cash basis.
	Corporation tax Company only	Through a company: 19–25%, with the £50,000 and £250,000 limits shared with companies you control . Dividends you draw are then taxed at 10.75% or 35.75% (39.35% top), after a £500 allowance.
Exit	Capital gains tax Check	Selling the business, or your company's shares, can be a capital gain: 18% with Business Asset Disposal Relief on the first £1 million of lifetime gains if for 2 years you held 5%+ of a trading company and worked in it, otherwise 18% or 24%.
Pass on	Inheritance tax Check	A trading business owned for 2 years can qualify for business relief : 100% on the first £2.5 million of business and farm assets combined, 50% above. Not if it mainly holds investments, so keep lets out of the sourcing company.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Deal sourcing: how to pay less tax

COMPLIANCE

Register before you start

Trading as an estate agency business without anti-money laundering registration is a criminal offence, and HMRC publishes the names of those it fines.

VAT

Track fees monthly

The £90,000 test is a rolling 12 months. Register late and the VAT comes out of fees you have already been paid.

Skip the flat rate scheme

With few goods to buy, a sourcing business usually counts as a limited cost trader and pays 16.5% of VAT-inclusive fees: rarely better than normal VAT.

INCOME TAX

Budget for your first tax bill

Your first bill, due 31 January, can include an extra 50% paid in advance. Set aside at least a quarter of profit from day one, more at higher rates.

New trader? Tell HMRC by 5 October

Register for Self Assessment by 5 October after the tax year you start, or risk penalties if tax is due.

Assigning contracts, not charging fees?

Profit from agreeing to buy, then selling on that contract, is usually income, not a gain.

STRUCTURE

Compare sole trader and company

£70,000 profit, no other income, 2026/27. A company pays off when you reinvest profit, not when you draw it.

TAX ON £70,000 PROFIT

Sole trader	£18,089
Company, £12,570 salary, profit kept in	£12,304
Company, all drawn	£18,958

In a company, pay yourself £12,570

Salary for real work is deductible and tax-free for you with no other income, through payroll with £1,135.50 employer National Insurance (NI) and no Employment Allowance for a sole director (p29).

Give your spouse real shares

Dividends on ordinary shares your spouse owns are taxed at their rates. Full-rights shares matter: HMRC lost the Arctic Systems case because the shares carried full rights.

Employ your spouse for real work

A market-rate salary for genuine admin or viewings is deductible and uses their allowance; with a second employee paid over £5,000 the company may get Employment Allowance. Keep timesheets.

CAPITAL GAINS TAX

Keep your sourcing company clean

Holding rental property in it can cost Business Asset Disposal Relief on a sale and [business relief](#) for inheritance tax (IHT). Buy your own deals in a separate company.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME

- ✓ Marketing and advertising
- ✓ Mileage to viewings: 55p a mile
- ✓ Anti-money laundering and redress fees
- ✓ Home office costs if you work from home
- ✓ Software and data subscriptions
- ✓ Phone and internet
- ✓ Accountancy and insurance

NOT DEDUCTIBLE

- ✗ Client entertaining
- ✗ Fines and penalties
- ✗ Personal costs
- ✗ Your own time

THREE QUESTIONS BEFORE YOU START

Are you registered for AML?

Introducing property for a fee is estate agency work: HMRC supervision and a redress scheme before the first deal.

When will you cross £90,000?

Fees carry 20% VAT once you register. Price it in now rather than losing a sixth later.

Sole trader or company?

At £70,000 of fees the company saves while the money stays in. Draw it all and the saving disappears.

07 OPTION TO BUY WITH A LEASE

Lease options

WHAT IT IS

You agree with an owner to lease their property now, with an option to buy it later at a price fixed today.

Suits creative investors with strong negotiation skills and good legal support.

WHY INVESTORS USE IT

- ✓ **Little money down.** Control a property for an option fee.
- ✓ **Price locked.** Keep growth above the agreed price.
- ✓ **Income now.** Rent profit during the option period.
- ✓ **Helps owners.** A route for owners who can't sell.

WHAT TO WATCH

- ✗ Agreements must be properly drafted and protected at the Land Registry.
- ✗ Take extra care where owners are vulnerable.
- ✗ Tax can arise before you buy.

£20,500

is the stamp duty when you use a lease option to buy a £300,000 home after paying a £5,000 option fee.

Nothing to pay on the option alone under £40,000, but buying links the two: one return on £305,000, due within 14 days. Budget for it from day one.

Option fee	£5,000
Price when you buy	£300,000
Stamp duty on both together, with 5% surcharge	£20,500

HOW TO HOLD IT

[Compare all on p23](#)

Own name p24
a single option, kept simple

Company p26
several options run as a trade

Separate company p28
options apart from lets you own

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Agree	Stamp duty (SDLT) Check	England and Northern Ireland. An option is a land purchase in itself, but a small fee usually needs no return. Lease stamp duty (SDLT) on a home is due only above £125,000 of rent (today's value); 7+ year leases still usually need a return.
	VAT Check	Options over homes are VAT-exempt: no VAT on the fee, none to reclaim. Over commercial property, 20% is added if the owner has opted to tax, recoverable only if you are VAT-registered and opt to tax yourself (p22).
	CGT (owner) Applies	The owner is taxed on granting the option. If you exercise it, fee and price count as one sale.
Lease	Income tax Applies	Rent from your tenants, less the rent you pay and your costs, is property income: 20–45%, rising to 22–47% from April 2027.
	Corporation tax Company only	Through a company: 19–25%, with the £50,000 and £250,000 limits shared with companies you control .
	Owner abroad Check	Landlord abroad, rent over £100 a week, no UK agent? Register with HMRC's Non-resident Landlord Scheme, withhold 20% of the rent and pay it quarterly, unless HMRC approves paying in full; fail to withhold and you owe the tax.
Exercise	Stamp duty (SDLT) Applies	Buying when you exercise is normally linked to the option: SDLT is on the combined price, with the 5% surcharge if it applies, and a return for the option can then be due within 14 days.
Exit	Capital gains tax Check	Selling your option, or the property later, is a disposal: 18% or 24% after a £3,000 exemption (a company pays corporation tax). Your ownership runs from exercise, not from the option.
Pass on	Inheritance tax Check	Your option and any property you buy form part of your estate: 40% on estates above £325,000.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Lease options: how to pay less tax

BEFORE YOU SIGN

Have the agreement reviewed

Its legal effect, not its name, decides the tax. A badly drafted option can turn out to be a sale, a loan or a lease premium.

Split rent from option payments

Rent you pay the owner is deductible. Monthly payments towards the option or price are capital: they count only when you buy, or sell the option.

Pick the buyer now

Choose you or your company before signing: moving the option later is taxed as a market-value sale and can bring stamp duty (SDLT).

Avoid a disguised sale

If the deal obliges you to buy, or payments are really price instalments, it may be a sale contract: SDLT on the full price once you move in or take the rent.

STAMP DUTY

Diary each return date

The lease, and the option once you buy, can each need a return within 14 days. Late returns bring penalties.

INCOME TAX

New landlord? Tell HMRC by 5 October

Register for Self Assessment by 5 October after the tax year your letting starts, or risk penalties if tax is due.

Pool your lettings

All your UK lets form one property business, so a loss on one lease option offsets profit on your other lets, and unused losses carry forward.

Use your spouse's lower tax band

Hold the lease jointly with a spouse or civil partner you live with to be taxed 50:50, or on real unequal shares if HMRC gets [Form 17](#) within 60 days of the last signature.

CAPITAL GAINS TAX

Know what happens if you walk away

Letting an option lapse generally isn't a sale for tax, so no capital loss arises and the fee gets no capital gains tax (CGT) relief.

STRUCTURE

Use a company if you do several

A company can hold several options and properties, with interest deducted in full once you buy. One company per deal shares the [profit limits](#), so weigh the extra accounts.

Assigning options for a fee?

Selling options on regularly can be trading, or taxed as income under the transactions in land rules, rather than as a gain.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME

- ✓ Rent paid to the owner
- ✓ Insurance
- ✓ Safety certificates

- ✓ Repairs you are liable for
- ✓ Letting and management fees
- ✓ Accountancy and software

ADD TO COST IF YOU BUY

- Option fee and option payments
- SDLT

- Legal fees on the option and purchase

NOT DEDUCTIBLE

- ✗ A lapsed option fee
- ✗ Fines and penalties

- ✗ Personal costs
- ✗ Your own time

THREE QUESTIONS BEFORE YOU START

Who owns it meanwhile?

The owner keeps the title and the mortgage. Check the lender allows it; a breach can end the deal.

Renting it on?

Rent in, less the rent you pay, is property income. Option payments are capital: keep them separate.

Leaving without buying?

Selling or assigning your option is a disposal: 18% or 24% on the gain, or corporation tax in a company.

08 HOUSING FOR VULNERABLE RESIDENTS

Supported living

WHAT IT IS

You provide homes for vulnerable adults, usually leased long-term to a housing provider that manages them, while separate providers deliver care and support.

Suits long-term investors wanting hands-off income who will check the provider's finances closely.

WHY INVESTORS USE IT

- ✓ **Long leases.** Rent often fixed or index-linked.
- ✓ **Hands-off.** The provider usually manages the homes.
- ✓ **Stable demand.** A long-term need for housing.
- ✓ **Lender appeal.** Long leases can support borrowing.

WHAT TO WATCH

- ✗ The provider's financial strength and the lease terms.
- ✗ Regulatory scrutiny of the sector.
- ✗ Stamp duty (SDLT) and VAT depend on how the homes are used.

£45,500

is the stamp duty saved by buying six flats in one transaction instead of six separate ones.

Six or more homes in one transaction are taxed as non-residential. Linked separate purchases do not qualify (p18).

Six flats, in total	£900,000
Six linked separate deals: residential plus surcharge	£80,000
Bought in one deal: non-residential rates	£34,500
Saving	£45,500

HOW TO HOLD IT
[Compare all on p23](#)

Own name p24
one property let to a provider

Company p26
several leases, reinvesting

Holding company p28
ring-fence each lease

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Buy	Stamp duty (SDLT) Check	England and Northern Ireland. Usually residential rates plus the 5% surcharge, and 2% more for non-UK residents; a company buying a home over £500,000 claims letting relief on its return or pays 17%. A care home isn't a dwelling; homes with care from a separate provider usually are. Buying 6+ homes in one deal (one contract, not six linked ones) means non-residential rates and no surcharges; multiple dwellings relief, the old route, ended in June 2024.
Adapt	VAT Check	No VAT on buying existing homes. Converting into more or fewer homes, a shared home or a care home, or renovating a home empty 2+ years, can qualify for 5% VAT on the works. Residential rent is VAT-exempt: no VAT charged, none reclaimed, and no option to tax a home.
Lease	Income tax Applies	Profit is taxed at 20–45%, rising to 22–47% from April 2027 (Scotland and Wales can differ). Mortgage interest isn't deducted: you get a 20% tax credit instead (22% from April 2027), so rent plus salary can push you past £60,000 (child benefit charge) or £100,000 (allowance lost).
	Corporation tax Company only	Through a company: 19–25%, with the limits shared across companies you control . Interest is deducted in full.
	ATED Company only	A company owning a home valued over £500,000 pays from £4,600 a year unless it files a relief return by 30 April each year (30 days after a mid-year purchase); miss it and penalties run with no tax due. Care homes are outside ATED (annual tax on company-held homes); supported living homes usually are not.
Sell	Capital gains tax Applies	18% or 24% on the gain after a £3,000 annual exemption. Report and pay within 60 days of completion if tax is due (always report if non-resident). A company pays corporation tax instead.
Pass on	Inheritance tax Applies	40% on estates above £325,000. Letting is an investment, so business relief doesn't apply.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Supported living: how to pay less tax

STAMP DUTY

Establish the care facts before exchange

A care home gets non-residential rates. Lets where care comes from a separate firm usually don't. Get the facts in writing.

Buy a block in one genuine deal

Six flats bought in one deal automatically pay non-residential rates. Split into linked deals, they pay residential rates plus the 5% surcharge.

SDLT ON SIX FLATS FOR £900,000

One transaction	£34,500
Linked separate deals	£80,000

CAPITAL ALLOWANCES

Claim capital allowances on common parts

Lifts, corridor lighting and fire alarms in a block's shared areas can qualify, often 100% relief in year one (annual investment allowance). Shared houses usually don't qualify; care homes run as a business can.

Agree a fixtures election on purchase

Agree a value for the fixtures with the seller in a joint election within 2 years, and check the seller claimed allowances on them, or you may lose the allowances.

STRUCTURE

Hold a portfolio in a company

Interest is deducted in full and profit taxed at 19–25%, then dividend tax when you draw it. We can model both.

INCOME TAX

Claim replacement furniture

In furnished shared houses, replacing beds, sofas and white goods like for like is deductible; the first purchase isn't.

Use your spouse's lower tax band

Spouses and civil partners living together who own jointly are taxed 50:50, or on real unequal shares (held as tenants in common, recorded in a declaration of trust) if HMRC gets [Form 17](#) within 60 days of the last signature; it works from the date you signed.

New landlord? Tell HMRC by 5 October

Register for Self Assessment by 5 October after the tax year your letting starts, or risk penalties if tax is due.

INHERITANCE TAX

Plan succession early

Gifting property counts as a market-value sale for capital gains tax (CGT). A [family investment company](#) or a trust can pass on future growth instead; each has CGT, stamp duty (SDLT) and inheritance tax (IHT) effects to model.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME

- ✓ Repairs and maintenance you're liable for
- ✓ Insurance
- ✓ Management fees
- ✓ Safety and compliance checks
- ✓ Accountancy and software
- ✓ Capital allowances on common parts (claimed separately)

ADD TO COST: CUTS CGT

- SDLT and legal fees on purchase
- Adaptations and improvements

NOT DEDUCTIBLE

- ✗ Loan capital repaid
- ✗ Personal costs
- ✗ Fines and penalties
- ✗ Your own time

THREE QUESTIONS BEFORE YOU START

Who is your tenant?

A lease to a registered provider is residential letting for income tax, and your rent is VAT-exempt, however the provider uses the home; SDLT and the VAT rate on works still follow the use.

Will the provider stay?

Long leases suit lenders, but tax follows the rent, so model a void or a renegotiation before you rely on the yield.

Buying six or more?

Six homes in one transaction are taxed at non-residential stamp duty rates, which can save tens of thousands.

09 CONVERSIONS

Commercial to residential

WHAT IT IS

You buy an office, shop or other commercial building, convert it into flats, then sell the flats or keep them to let.

Suits developers with capital, a professional team and an appetite for project risk.

WHY INVESTORS USE IT

- ✓ **You create value.** Profit comes from the works, not timing.
- ✓ **Cheaper to buy.** Less per square foot than homes.
- ✓ **Faster approvals.** Permitted development speeds planning.
- ✓ **VAT back.** Sell the new homes and reclaim all VAT.

WHAT TO WATCH

- ✗ Planning, building regulations, levies and cost overruns.
- ✗ VAT and stamp duty (SDLT) need settling before exchange.
- ✗ Selling some units and letting others complicates VAT.

£42,000

is the VAT you get back on turning an office into flats if you sell them; almost none if you let them.

A first sale of a new home is zero-rated, so VAT comes back; letting is exempt, so it does not (p20).

VAT on £600,000 of works at 5%	£30,000
VAT on £60,000 of fees at 20%	£12,000
Reclaimed if you sell the flats	£42,000
Reclaimed if you keep and let them	About £0

HOW TO HOLD IT

Compare all on p23

Own name p24
one conversion you keep and let

Company p26
development profit is trading

Company per project p28
keep each conversion apart

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Buy	Stamp duty (SDLT) Applies	Non-residential rates, no surcharge: 0% to £150,000, 2% to £250,000, 5% above.
	VAT Check	If the seller opted to charge VAT, 20% is added (and stamp duty on it). Give them form VAT1614D, certifying you will convert to homes, before exchange and the VAT is switched off; if it is sold let, check the going concern rules first.
Convert	VAT Applies	Builders can charge 5% on converting a commercial building into homes. Give them a written end-user statement so they charge you VAT (no reverse charge).
	Construction Industry Scheme Check	Developing as a trade? Paying builders makes you a Construction Industry Scheme (CIS) contractor: register before the first payment, verify each subcontractor, deduct 20% (30% if unverified) from the labour part and file monthly returns.
Hold	ATED Company only	A company holding a flat over £500,000 is within ATED (annual tax on company-held homes); developer relief cuts it to nil if claimed by 30 April or within 90 days of first use.
Sell	VAT Applies	First sale of each new home, or a 21+ year lease (20+ in Scotland), is zero-rated: you charge 0% and recover all VAT on works and fees. Register as an intending trader before costs start and reclaim quarterly.
	Income tax Check	Converting to sell is usually a trade: 20–45% plus Class 4 National Insurance (NI). Land developed to sell is income anyway.
	Corporation tax Company only	In a company: 19–25%, with the limits shared across all your companies.
Let instead	Income tax and VAT Check	Moving a flat from sale to let is a deemed sale at market value, taxed as trading profit; rent is exempt, so VAT reclaimed is adjusted, repaying only the letting-period share if you still intend to sell.
Pass on	Inheritance tax Check	Units kept as investments are in your estate: 40% above £325,000, no business relief .

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Commercial to residential: how to pay less tax

VAT

Decide sell or hold before you buy

£600,000 of building work at 5% and £60,000 of fees at 20% carry £42,000 of VAT. What you reclaim depends on what you do with the flats.

VAT ON WORKS AND FEES YOU CAN RECOVER

Sell the flats	Normally £42,000
Keep and let them	Little or none

Serve VAT1614D early

Give the form before the price is fixed, or it can't cover that purchase. Stamp duty (SDLT) is charged on any VAT too.

SDLT ON A £500,000 OFFICE

No VAT: VAT1614D served in time	£14,500
With £100,000 VAT on top	£19,500

Register before costs start

VAT on services bought more than 6 months before you register can't be reclaimed. Goods you still hold can go back 4 years.

VAT, CONTINUED

Pay 5%, not 20%

Qualifying conversion work gets the 5% rate. Check before the first invoice: overcharged VAT is hard to get back.

Watch the £600,000 line

Works of £600,000+ (before VAT) from 29 July 2026: reclaim the VAT, then let the flats, and HMRC claws part of it back over 10 years (capital goods scheme).

STRUCTURE

Use a company per scheme

Keeps each project's risk separate, but each extra company adds accounts and splits the tax limits.

Keep lets out of the trading company

Letting units from your development company can lose you Business Asset Disposal Relief and [business relief](#). Get advice to move them.

PROFIT

Unsold flats are stock

Purchase and conversion costs are held as stock and only deducted as each flat sells, so profit can fall in a later year than you expect.

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

IF SELLING: DEDUCT FROM PROFIT

- ✓ Purchase price, SDLT and legal fees
- ✓ Architect and planning fees
- ✓ Insurance and site costs while building
- ✓ Build and conversion costs
- ✓ Finance interest and fees
- ✓ Agent and legal fees on sale

IF LETTING: ADD TO COST

- Purchase costs and conversion works

NOT DEDUCTIBLE

- ✗ Your own time
- ✗ Fines and penalties
- ✗ Personal costs
- ✗ Loan capital repaid

THREE QUESTIONS BEFORE YOU START

Sell or keep?

Selling the flats makes you a developer: VAT reclaimable, profit taxed as income. Keeping them to let changes both answers.

Is the 5% rate available?

It depends on what the building was and what it becomes. A shop with a flat above is part residential already: that part usually stays at 20% and its sale is exempt, so agree the split with the builder before the first invoice.

One company or one per scheme?

A company per project ring-fences risk and lets you sell the company itself, at a cost in accounts and filings.

10 SUBLETTING COMMERCIAL SPACE

Commercial rent-to-rent

WHAT IT IS

You take a lease of a commercial building and sublet parts of it, such as offices, studios, workshops or storage, to several occupiers for more than your rent.

Suits operators comfortable with long commercial leases, personal guarantees and the risk of empty units.

WHY INVESTORS USE IT

- ✓ **No purchase.** Control space with a lease, not a mortgage.
- ✓ **Premium for flexibility.** Small firms pay more for flexible space.
- ✓ **Cost locked in.** A long head lease fixes your rent.
- ✓ **Fuller tax relief.** Interest and fit-out relief beat homes.

WHAT TO WATCH

- ✗ You still owe rent if units sit empty.
- ✗ Business rates on empty space.
- ✗ The VAT position of your landlord and your tenants.

£12,000

is the VAT on your head rent each year, a cost to you unless you opt to tax (choose to charge VAT on your own rents).

Most business subtenants recover the VAT you charge; banks, insurers and charities often cannot (p22).

Head rent a year	£60,000
VAT added by a landlord who opted to tax	£12,000
Opt to tax too: reclaimed, charged on to subtenants	£12,000
If you do not: cost to you	£12,000

HOW TO HOLD IT

[Compare all on p23](#)

Own name

one unit, kept simple

p24

Company

several units; leases inside it

p26

Holding company

trading kept apart from property

p28

Your tax journey

Applies

Company only

Check

STAGE	TAX	WHAT HAPPENS
Take the lease	VAT Check	Commercial rent is VAT-exempt unless your landlord has opted to tax the building, when 20% is added to rent and service charge; stamp duty is then worked out on the VAT-inclusive rent. Ask for a copy of the option before you sign.
	Stamp duty (SDLT) Check	England and Northern Ireland. A new commercial lease pays 1% on the rent over its term, in today's money, above £150,000 (2% above £5 million), plus stamp duty (SDLT) on any premium. Leases of 7+ years usually need a return even if nothing is due.
Sublet	VAT Applies	Opt to tax the building (form VAT1614A to HMRC within 30 days of deciding; register for VAT too, or you cannot reclaim anything) and you charge 20% on every rent and service charge to subtenants and recover the VAT on your head rent and fit-out. Permission is needed first if you've let it VAT-free in the last 10 years; it binds you for 20 years.
	Business rates Applies	Occupied units: separately rated subtenants pay; for serviced or shared space, often you do. Empty units in England: you pay, after 3 months' relief (6 for industrial).
	Income tax Applies	Rent in, less rent out and costs, is property income: 20–45%, rising to 22–47% from April 2027. Interest on commercial property is deducted in full.
	Corporation tax Company only	Through a company: 19–25%, with the £50,000 and £250,000 limits shared with companies you control .
	Owner abroad Check	Landlord abroad, rent over £100 a week, no UK agent? Register with HMRC's Non-resident Landlord Scheme, withhold 20% of the rent and pay it quarterly, unless HMRC approves paying in full; fail to withhold and you owe the tax.
Exit	Capital gains tax Check	Being paid to sell on or give up your lease is usually a capital gain: 18% or 24% after a £3,000 exemption (a company pays corporation tax).
Pass on	Inheritance tax Check	Your lease is part of your estate: 40% on estates above £325,000. Letting space is usually an investment, so business relief rarely applies.

PLAN AHEAD · GROUPED BY WHAT IT AFFECTS

Commercial rent-to-rent: how to pay less tax

VAT

Opt to tax before you sublet

Your rent is £60,000 plus £12,000 VAT. Opt, and you charge VAT to subtenants and reclaim the VAT on your rent.

VAT ON YOUR RENT YOU CAN'T RECOVER, A YEAR

You opt to tax	£0
You don't	£12,000

Register to make it work

Opting only helps if you're VAT-registered; you must register once taxable rents pass £90,000. Your option covers the whole building and can't normally be undone for 20 years.

Check who your subtenants are

Banks, insurers, healthcare and many charities can't recover most VAT, so opting can cost you tenants or margin.

Know what's always 20%

Most parking, self-storage and short sports hire carry VAT, opted or not.

CAPITAL ALLOWANCES

Claim your fit-out

Heating, lighting, electrics, fire alarms and CCTV you install can qualify, often 100% relief in year one (annual investment allowance). Qualifying non-residential building works get 3% a year.

INCOME TAX

Deduct part of any premium

Pay a premium for a lease of 50 years or less and you can deduct part of it (the slice your landlord pays income tax on), spread over the lease.

Pool your lettings

All your UK lets form one property business, so a loss here offsets profit on your other lets, and unused losses carry forward.

STRUCTURE

In a company, pay yourself £12,570

Salary for real work is deductible and tax-free for you with no other income, through payroll with £1,135.50 employer National Insurance (NI) and no Employment Allowance for a sole director (p29).

Claim everything you can

COSTS USED ONLY FOR THE BUSINESS

DEDUCT FROM INCOME

- ✓ Head rent
- ✓ Insurance
- ✓ Letting fees for lets of a year or less
- ✓ Accountancy and software
- ✓ Service charges
- ✓ Repairs and maintenance
- ✓ Business rates on empty units

CAPITAL ALLOWANCES

- ✓ Heating, lighting and electrics
- ✓ Kitchens and bathroom fittings
- ✓ Fire alarms and CCTV
- ✓ Qualifying building works: 3% a year

NOT DEDUCTIBLE

- ✗ Your own time
- ✗ Fines and penalties
- ✗ Personal costs
- ✗ Loan capital repaid

THREE QUESTIONS BEFORE YOU START

Is the lease VAT-opted?

If your landlord has opted to tax, you pay VAT on your rent. Opting yourself lets you reclaim it and charge it on.

Who pays business rates?

Occupied units: usually your subtenants.
Empty units: you, after three months (six for industrial).

Do you need a company?

Lease liabilities inside a company protect you personally, but landlords and lenders often ask for a guarantee anyway.

Your numbers decide. Talk to us before you commit.

Book a free consultation

Structures at a glance

Five ways to hold property. Where each one helps, where it costs, and who it suits.

	 Personally, alone or jointly	 Partnership or LLP	 Company	 Group with holding company	 Family investment company
BUYING: STAMP DUTY	● 5% surcharge if you or your spouse own another home	● As personal; each partner's other homes count	● 5% surcharge on every home; 17% over £500,000 unless let out	● As company; no stamp duty (SDLT) when property moves inside the group	● As company
TAX ON RENTAL PROFIT	● 20 to 45% at your rates (22 to 47% from April 2027), spent or not; often cheapest at basic rate	● Each partner at their own rates on their share	● 19 to 25%; nothing more while profit stays in	● 19 to 25% per company; the limits are shared	● 19 to 25% (25% if let mainly to family); growth builds in children's shares
SPLITTING INCOME	● Married couples and civil partners: 50:50 unless real unequal shares, recorded in a declaration of trust, with Form 17 sent to HMRC	● By the profit shares in the partnership agreement, if the partnership is genuine	● By shareholding; different share classes for family members need care	● As company	● By share class, set in the articles: control to you, growth to the children
MORTGAGE INTEREST	● A 20% tax credit only (22% from April 2027)	● A 20% credit only (22% from April 2027), each partner	● Deducted in full	● Deducted in full	● Deducted in full
TAKING MONEY OUT	● Already yours	● Already yours, by profit share	● Salary or dividends, taxed when drawn	● Reinvest between companies tax-free; taxed only when drawn to you	● Dividends by share class, taxed on whoever receives them
SELLING	● Capital gains tax (CGT) 18% or 24%, reported within 60 days	● CGT on each partner's share	● Corporation tax on the gain, or sell the shares	● No gain on moves within the group (clawed back if that company leaves within 6 years); selling a letting company's shares is taxed in the holding company	● Shares pass on, not property; gifting shares is a market-value sale
PASSING ON	● 40% above your nil-rate bands; no business relief for lets	● 40%; no business relief for lets	● Shares count at full value; no business relief for lets	● As company	● Future growth sits outside your estate; gifted shares leave it after 7 years
ATED	● None	● None, unless a company is a partner	● Yearly charge on any home worth over £500,000, nil if let to unconnected tenants and relief is claimed by 30 April	● As company, for each company	● As company; letting to family blocks the relief
MAKING TAX DIGITAL	● Digital records and quarterly updates once gross rent plus self-employed income passes £50,000 (April 2026), £30,000 (2027), £20,000 (2028)	● The partnership is not yet in; each partner's own income may be	● Outside Making Tax Digital (MTD) for income tax; company accounts and returns instead	● As company	● As company
RUNNING COSTS	● Self Assessment only	● Partnership return and accounts as well	● Accounts, corporation tax return, payroll and filings	● Two or more sets of everything	● As company, plus articles, valuations and a shareholders' agreement
SUITS	One or two lets, basic-rate taxpayers, or income needed now	A genuine joint business, and the road into a company	Higher-rate taxpayers who borrow and reinvest	Two or more companies, or money moving between them	Larger portfolios planning to pass on growth
	Read more, page 24 →	Read more, page 25 →	Read more, page 26 →	Read more, page 28 →	Read more, page 30 →

● Usually favourable ● Depends on your facts ● Usually costly

Typical outcomes, not advice. Your numbers decide: we model them.

VAT does not depend on the structure. Residential rent is exempt: no VAT charged, none reclaimed, no option to tax a home. Commercial rent is exempt unless you opt to tax (charge VAT on your rents so you can reclaim VAT on costs). Short lets carry 20% once takings pass £90,000; a new home's first sale is zero-rated with full recovery; some conversions get 5% on the works.

Talk to us before you choose a structure. Your numbers decide.

[Book a free consultation](#)

Owning personally, alone or jointly

Form 17 is the HMRC form that says who owns what. Married couples are taxed 50:50 on joint property unless they send it.

The 50:50 rule

Married couples and civil partners living together are taxed on jointly held rental income 50:50, whatever shares they actually own.

The shares must be real

Form 17 follows the real ownership, which a declaration of trust records. Moving a share to your spouse is a genuine gift of capital.

Transfers between spouses

No CGT between spouses living together, and no SDLT surcharge if only you two own it. But taking over part of a mortgage counts as payment for SDLT, and the lender must agree.

Form 17: be taxed on your real shares

Own in fixed unequal shares (tenants in common), then both sign Form 17. It must reach HMRC within 60 days of the last signature, and works only from the date of the declaration, never backwards.

Not married?

Unmarried co-owners are taxed on the share they are actually entitled to, so no Form 17: a declaration of trust is enough. Moving a share between unmarried partners is a market-value capital gains tax (CGT) disposal, with stamp duty (SDLT) on any mortgage taken over.

Making Tax Digital, from April 2026

Gross rent plus self-employed income over £50,000 (£30,000 from April 2027, £20,000 from April 2028): digital records and [quarterly updates](#), judged on your return from two tax years earlier; only your share if jointly owned. Companies are outside it. We run it for you.

Records and small landlords. Keep invoices split into repairs and improvements, mortgage statements, tenancies and your mileage log for 5 years after the 31 January filing date, and purchase records while you own the property. Small landlords: up to £1,000 a year of gross rent is tax-free under the property allowance, or deductible instead of actual costs, unless any comes from your employer, partnership or own company. Our free expenses calculator at [aptaxadvisors.com](#) estimates what you may be able to claim this year.

Form 17 in numbers

WORKED EXAMPLE

A couple own a let house jointly: £30,000 rental profit, no mortgage.

One earns £60,000; the other has no income. From April 2027:

	Taxed 50:50 (default)	Split 1%/99% with Form 17
Profit taxed on the earner	£15,000	£300
Profit taxed on the spouse with no income	£15,000	£29,700
Tax a year	£6,835	£3,895

£2,940

less tax every year

£29,400

over 10 years at 2027/28 rates

WHAT THIS SHOWS

The shares must be real: the spouse with no income really owns 99%. Moving the share is a gift of capital, so it is a family decision as well as a tax one.

Assumptions: Personal allowance available to both. Property income rates from 6 April 2027. No other income for the second spouse. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Partnerships and LLPs

Powerful when the business is real. HMRC checks that it is.

Owning together is not a partnership

Jointly owning a let property does not by itself create a partnership. There must be a business carried on together.

LLPs

A limited liability partnership limits liability but is still taxed through its partners for income tax and CGT.

HMRC's warning

A partnership formed just before moving into a company, to get this result, can be hit by the SDLT anti-avoidance rule. Keep returns, accounts and evidence of a real business.

Registering, and capital gains

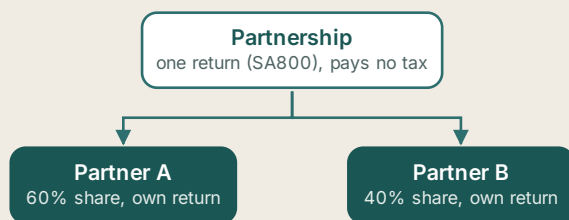
Register the partnership (SA400) and each partner (SA401) by 5 October after its first tax year; a late partnership return fines every partner. For capital gains tax (CGT) each partner is treated as owning a share of each property (HMRC Statement of Practice D12).

The SDLT rules

Property moving into or out of a partnership is charged only on the share passing to partners who are not you or connected with you, so a let moving into a partnership with your spouse is normally nil. When a genuine partnership moves into a company owned in the same shares, stamp duty (SDLT) can also fall to nil, subject to the anti-avoidance rule.

Company partners

Where a company is a partner, anti-avoidance rules can reallocate profit to the individual partners.



Shares follow the agreement, and must be real

How a partnership is taxed

The partnership files one return (SA800) but pays no tax itself. Each partner is taxed on their share, at their own rates, on their own return.

SIGNS HMRC LOOKS FOR IN A REAL PARTNERSHIP

- ✓ A written partnership agreement
- ✓ Partnership accounts and a partnership return (SA800) every year
- ✓ Dealing with tenants, agents and lenders as a partnership
- ✓ A partnership bank account for rents and costs
- ✓ Real business activity: finding tenants, repairs, management
- ✓ Profit shares set out in the agreement and actually followed

SDLT ON A £600,000 LET YOU OWN OUTRIGHT, ENGLAND

Straight into your own company: residential rates with the 5% surcharge	£50,000
Into a partnership with your spouse first: the share passing to a connected partner	£0
Later, from that genuine partnership into a company you both own in the same shares	£0

What this shows

The partnership route can take the SDLT to nil, but only where a real partnership has run the lets for a period first. CGT and [incorporation relief](#) are tested separately (p27).

Should you use a company?

No single answer. It turns on your income, borrowing, timescale and family.

Where a company wins

Interest is deducted in full and profit kept in is taxed at 19 to 25%. The more you borrow and the more you reinvest, the wider the gap over paying 40% or 45% personally (42% or 47% from April 2027) with a 20% (22%) interest credit.

Already own property?

Moving it in is a sale: capital gains tax (CGT) and stamp duty at market value unless relief applies. [Incorporation relief](#) needs a real business. See page 27.

Usually stay personal

One or two lets with little or no mortgage; a basic-rate taxpayer; you need the rent to live on; or you may sell within a few years, where CGT at 18% or 24% beats corporation tax plus dividend tax.

Where it loses

Money you draw out is taxed again as dividends. Company mortgages cost more, lenders want a personal guarantee, and accounts and filings are a yearly cost. On its first home a company pays the 5% surcharge, and 17% over £500,000 unless let out.

Relief needs a real business

Holding lets is not enough: you must actively run a business (the Ramsay case, 2013). From 6 April 2026 the relief applies only if you claim it on your return; not claiming can be better if you want to use losses or your annual exemption now.

Usually a company

A higher-rate taxpayer with mortgaged lets; profits reinvested in the next purchase; several properties planned; family to bring in later through shares (p30). Decide before the next purchase, not after.

Personal or company, on a portfolio

WORKED EXAMPLE

£60,000 rent, £20,000 mortgage interest, £10,000 other costs. You earn £45,000 elsewhere. From April 2027:

	Personally	Company
Tax on the profit	£15,546	£5,700
Dividend tax to draw it all	None	£7,316
Cash kept, all drawn	£14,454	£16,984

£5,700

tax in a company, profit reinvested

£15,546

tax personally

WHAT THIS SHOWS

With identical mortgage costs the company is £2,530 ahead even when every penny is drawn, and further ahead if profit is reinvested. A company mortgage 1% dearer on £300,000 costs about £3,000 a year more and takes most of that advantage away, and accounts cost money yearly. For one mortgaged flat, personal usually wins.

Assumptions: Personal tax is after the 22% interest credit. New purchases in the company. No other companies under the same control. Company mortgage costs assumed the same, which they often are not. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Moving what you own into a company

It is a sale. Relief can defer the CGT, but only for a real business, and stamp duty is often the bigger cost.



What happens

You run the homes as a genuine letting business, often as a partnership, then sell that business to your own company at market value in exchange for shares. Capital gains tax (CGT) and stamp duty are both in point on the full value unless a relief applies: [incorporation relief](#) for the CGT, the partnership rules for the stamp duty (SDLT). Each step must be real, and HMRC watches the timing.

Incorporation relief (CGT)

Transfer a whole, running business, with all its assets except cash, for shares: the gain is deferred into your shares and taxed when you sell them. Cash taken, or a mortgage the company takes over, cuts the relief in proportion. From 6 April 2026 you must claim it on your return for the year of transfer.

Stamp duty: market value, surcharge, six or more

Your company is connected to you, so it pays SDLT on market value, with the 5% surcharge on homes. Multiple dwellings relief ended on 1 June 2024. Six or more homes in one transaction are taxed at non-residential rates, which is often cheaper.

The business test, and the evidence

In Ramsay, about 20 hours a week managing a block of flats was enough. Those are the facts of one case, not a legal threshold; letting through an agent who does everything is unlikely to qualify. Time records, the work you do yourself, how you find tenants and run the finances: build the evidence before you need it.

The partnership route, and where it goes wrong

Where an existing letting partnership moves into a company owned in the same proportions, partnership rules can take SDLT to nil. A partnership created shortly before the transfer, one on paper only, or steps planned in advance can trigger the anti-avoidance rule, and then SDLT is due on full market value.

Mortgages, refinancing and the lender

Strictly, debt the company takes over counts as payment not in shares and cuts the relief; HMRC's concession ESC D32 ignores business debts taken over. Property 118 v HMRC (2026) found certain incorporation arrangements did not have to be disclosed to HMRC; it did not rule that any landlord gets relief. HMRC's August 2026 guidance (BIM45700): interest is allowable where the money is used in the business, and borrowing to take back money you put in no longer keeps relief by itself. Moving mortgaged property without the lender's agreement can breach the mortgage. Treat any promised 'no CGT, no SDLT, no remortgage' route with care: HMRC is actively enquiring.

SIX HOMES WORTH £1.5 MILLION (COST £900,000) MOVING INTO YOUR COMPANY

CGT with nothing qualifying	£143,280
CGT with incorporation relief	£0
SDLT: residential rates with the 5% surcharge on £1.5m (six-dwelling rule not applied)	£168,750
SDLT: six or more in one transaction, non-residential rates	£64,500
SDLT: a genuine, established partnership moving in the same shares	£0

What this shows

On the same portfolio the bill runs from nil to over £300,000, depending on whether a real business exists, how many homes move in one deal, and whether a [genuine partnership](#) already runs it. A partnership created for the transfer fails.

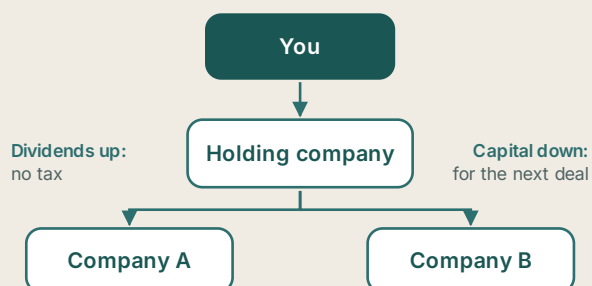
Assumptions: England, one owner, higher-rate taxpayer, no mortgages, £3,000 CGT exemption. Residential SDLT at 5%, 7%, 10% and 15% with the surcharge; non-residential at 0%, 2% and 5%. Illustration only.

Talk to us before you incorporate.

Book a free consultation

Groups and holding companies

Two companies you own personally are not a group. A holding company above them is, and that changes how money moves.



Sister companies against a group

Own two companies personally and profit cannot move between them without passing through you as a taxed dividend, or sitting as a loan both companies carry until it is repaid. Put a holding company above both and profit moves up as a dividend with no tax, then down into the next company as capital, permanently.

What makes a group

A company owning at least 75% of another forms a group. Losses in one can relieve profit in another by a group relief claim, and property moves between group companies at no gain, automatically, and free of stamp duty (SDLT) if relief is claimed in the SDLT return. The SDLT is clawed back if the buyer leaves the group within 3 years, the gain if it leaves within 6.

Moving money down or across

A company can lend to a subsidiary or sister company without the 35.75% [director's loan](#) charge, which hits loans to owners, not normally loans between group companies. A loan stays a loan: it sits on both balance sheets until repaid. Through a holding company the money moves as capital and stays.

Putting a holding company in

A share swap for genuine commercial reasons is normally not a sale for you: the new shares stand in the shoes of the old. Apply to HMRC for clearance before the swap; it answers within 30 days. Stamp duty of 0.5% on the shares acquired is relieved if the new company's shareholdings mirror the old ones exactly, and no change of control is planned.

Splitting profit does not cut the tax

Companies under the same control share the £50,000 and £250,000 corporation tax limits, so two companies with £60,000 each pay the same as one with £120,000. Separate companies ring-fence risk or satisfy a lender; they do not lower the rate.

Funding one company from another

WORKED EXAMPLE

Company A has £50,000 of taxed profit. You want it in Company B to fund a deposit. You earn £40,000.

	Through you	A lends to B	Holding company
Tax	£15,254	£0	£0
Reaching Company B	£34,746	£50,000	£50,000

£15,254

tax if the money goes through you

£0

tax on a direct loan or through a holding company

WHAT THIS SHOWS

Through you: £15,254 of tax before a penny reaches Company B. A direct loan: no tax, but it sits on both balance sheets until repaid. Through a holding company the £50,000 moves up as a tax-free dividend and down as capital: nothing to unwind.

Assumptions: Holding company owns 100% of A and B. Company A has enough profit to pay out. 2026/27 dividend rates. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Getting money out of your company

The mix matters more than any single rate.

Salary

Deductible for the company. Employer National Insurance (NI) of 15% applies above £5,000. A £12,570 salary uses your personal allowance, if you have no other income.

Pension contributions

Company contributions are usually deductible and not taxed on you, within your annual allowance. Locked until pension age; from 6 April 2027 unused funds generally count for inheritance tax.

Overdrawn loan account

Owe the company money and it pays 35.75% (s455) unless repaid within 9 months of its year end; repay-and-redraw within 30 days may not count. Refunded, on a claim, 9 months after the year end in which you repay. An interest-free loan over £10,000 is a taxable benefit (P11D).

Employ family for real work

A market-rate salary to your spouse or an adult child for genuine work (viewings, admin, the books) is deductible and uses their personal allowance. Keep timesheets and pay it through payroll.

Dividends

Paid from profit after corporation tax, then taxed at 10.75%, 35.75% or 39.35% above a £500 allowance. Only from profits the accounts show, not just cash, with a minute and voucher each time; a dividend without profits is unlawful and repayable.

Repaying your loans

Money you lent the company comes back tax-free. Record loans separately from money paid for shares.

Interest on your loans

Interest on money you lent, at a commercial rate, is deductible for the company and savings income for you; it deducts 20% tax, reports it quarterly (CT61), and you settle the difference on your return.

Shares for your spouse

Dividends on ordinary shares your spouse genuinely owns are taxed at their rates (full rights: the Arctic Systems case). Dividends on shares given to your under-18 children are taxed as yours once over £100 a year.

Taking £50,000 of profit out

WORKED EXAMPLE

Your company makes £50,000 before paying you. You have no other income. Three ways to take it:

	Dividends only	Salary + dividends	Plus £10,000 pension
Total tax, company and you	£12,449	£11,138	£8,367
Cash to you, plus any pension	£37,551	£38,862	£41,633

£4,082

less tax with salary and pension

£1,311

more cash from adding a salary

WHAT THIS SHOWS

A small salary often beats dividends alone if you have no other income. Pension contributions save most, if you can leave that money until pension age; from April 2027 unused pension funds can also face inheritance tax.

Assumptions: Single-director company, no Employment Allowance. Salary £12,570; pension contribution £10,000. 2026/27 rates. Corporation tax at 19%. Salary paid for real work. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Family investment companies and growth shares

Keep control today. Pass on tomorrow's growth.

What a family investment company is

A company owned by the family to hold property or investments. Parents keep control through voting shares; children hold other classes.

Gifts of shares

Gifted shares leave your estate for inheritance tax after 7 years, but a gift is also a sale at market value for capital gains tax (CGT), and the gain cannot be held over on a gift to a person, only into [a trust](#). Parents can instead lend the company money, repayable later, though the loan stays in their estate.

Growth shares

Existing value stays in the parents' shares. New shares issued to children at today's low value take the future growth, so it can sit outside the parents' estate, if issued at a properly supported value (HMRC will not agree one in advance) and the parents keep no benefit from that class. Any shortfall in what the children pay is a gift.

Control

The articles (rules) and a shareholders' agreement set who decides, who is paid dividends and what happens on divorce or death.

Traps

If your under-18s get over £100 of dividends a year, all are taxed on you. Shares for family who work in the company fall under employment tax rules: any undervalue is taxed as pay and the award is reported to HMRC by 6 July. Letting mainly to family makes it a close investment-holding company: 25% corporation tax on all profits.

Passing on growth with growth shares

WORKED EXAMPLE

Your property company is worth £1 million today. You expect it to be worth £2 million by the time it passes on.

	All shares in your estate	Children hold growth shares
Growth in your estate	£1,000,000	£0
Inheritance tax on the growth at 40%	£400,000	£0

£400,000

potential inheritance tax saved on the growth

£1 million

value you still own and control

WHAT THIS SHOWS

The value today stays with you. Only the future growth moves, so you keep control and income while less is taxed.

Assumptions: Growth shares issued at market value to adult children, with a solicitor-drafted share class. Your estate is already above its tax-free bands. No [business relief](#). The saving arises only if the company grows as assumed and HMRC accepts the valuation; you keep no benefit. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Trusts

You keep control, but trusts carry their own tax charges.

Going in

Gifts into most trusts face inheritance tax at once: nil within your unused £325,000 nil-rate band, 20% above it (effectively 25% if you, rather than the trust, pay the tax). The trustees register the trust with HMRC within 90 days and report the gift on form IHT100 where tax is due or it exceeds 80% of the band.

CGT on property you put in

Gain usually postponed (held over) by a joint claim with the trustees on your return, so no capital gains tax (CGT) now, unless you, your spouse or minor children can benefit. Trustees take on your gain, which your death would otherwise wipe out; debt they take on can trigger CGT.

Control

You can be a trustee and decide who benefits and when. If you can't benefit yourself, the assets stay out of your estate.

While it lasts

Up to 6% inheritance tax every 10 years, and exit charges when property leaves.

SDLT

No stamp duty (SDLT) on a gift of unmortgaged property. Debt the trustees take on counts as payment; discretionary trustees pay the 5% surcharge.

Income

Discretionary trusts pay 45% on income (47% on rents and interest from April 2027; 39.35% on dividends), paid out or not; beneficiaries get a credit. It is taxed on you if you or your spouse can benefit, or it goes to your minor children.

A gift into trust

WORKED EXAMPLE

You put £325,000 of unmortgaged property into a discretionary trust. Ten years later it is worth £600,000.

	Kept in your estate	Given into trust
Inheritance tax on £275,000 of growth at 40%	£110,000	£0
10-year charge on £600,000	None	£16,500
Total inheritance tax	£110,000	£16,500

£93,500

less inheritance tax, before exit charges and CGT

£0

inheritance tax on entry, if your nil-rate band is unused

WHAT THIS SHOWS

Trusts cost something to run, but the growth escapes your estate while you control who benefits. Up to £325,000 can go in free of inheritance tax now, if your nil-rate band is unused.

Assumptions: No other gifts in the previous 7 years and you survive the gift by 7 years. Nil-rate band £325,000 throughout. You, your spouse and your minor children cannot benefit. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Passing it on: inheritance tax

A £2.4 million estate can cost your children £640,000. Planning changes that.

The allowances

£325,000 tax-free (nil-rate band), plus £175,000 if your home goes to direct descendants. Unused amounts pass to a spouse: up to £1 million for a couple. Frozen until April 2031.

Let property

Rental property is an investment, so business relief, which covers trading businesses, rarely applies. A let property that was never your home does not qualify for the home allowance.

Pensions from April 2027

From 6 April 2027, most unused pension funds and death benefits count towards your estate for inheritance tax.

The £2 million cliff

The home allowance falls by £1 for every £2 your estate exceeds £2 million. A portfolio can push you over it.

Lifetime gifts

Gifts to people leave your estate if you survive 7 years and keep no benefit: keep receiving the rent, or live in the gifted home, and the gift fails. Gifting a let is a disposal for capital gains tax (CGT) at market value, payable within 60 days and not deferrable, so a gift into trust may cost less.

The tools

Wills, lifetime gifts, family companies, [growth shares](#), trusts and life cover, often in combination. A whole-of-life policy written in trust pays the bill without selling property; the premiums are gifts, usually exempt as normal spending out of income. Spouse exemption means nothing is due on the first death if everything passes to your spouse.

The £2 million cliff

WORKED EXAMPLE

A widowed parent leaves a £500,000 home and a £1.9 million portfolio to their children, with both spouses' allowances.

	No gifts	£400,000 given 7+ years before
Estate	£2,400,000	£2,000,000
Allowances after the taper	£800,000	£1,000,000
Inheritance tax	£640,000	£400,000

£240,000

less inheritance tax

£80,000

of that from restoring the home allowance

WHAT THIS SHOWS

Gifts you survive by 7 years save 40% on what you give, and can restore the home allowance above £2 million. Gifting property brings CGT now, so the order of gifts matters.

Assumptions: Both spouses' nil-rate and home allowances available. Home passes to children. Gifts survived by 7 years. No business relief. No pension funds in the estate. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Talk to us while there is still time to plan.

Book a free consultation

Living abroad, and putting things right

UK property stays in the UK tax net whoever holds it. If something was missed, fix it early.

You, living abroad

Your agent, or tenant if rent is over £100 a week, withholds 20% (22% expected from April 2027) unless HMRC approves form NRL1 (normally, if your UK tax is up to date); you still file a UK return each year, and UK nationals keep the personal allowance. Selling: only growth since April 2015 (homes) or April 2019 (other) is taxed, or elect for cost or time-apportionment if better; report within 60 days even if nothing is due. Buying a home after under 183 UK days in the prior year: 2% more stamp duty (SDLT), refundable (amend within 2 years) once you reach 183 days in a 12-month span.

An offshore company

Pays corporation tax (19 to 25%) on UK rental profit and gains; the agent withholds unless HMRC approves form NRL2. Buying a home adds the 5% and 2% surcharges; over £500,000, the 19% rate (17% plus the 2% surcharge) and ATED (annual tax on company-held homes) apply unless let to unconnected tenants and relief is claimed. The shares count for UK inheritance tax to the extent of the UK homes held.

An offshore trust

Trustees pay 45% (47% from April 2027) on UK rent unless it passes to a beneficiary; the agent withholds unless HMRC approves form NRL3. UK property gains are taxed in the trust. UK homes held through the trust, directly or via a company, are within inheritance tax, with 10-year charges. Settlor and beneficiary rules can tax you instead.

Undeclared rent: the Let Property Campaign

Tell HMRC you will disclose, then you have 90 days to pay the tax, interest and penalties. Look-back: 4 years with reasonable care, 6 if careless, 20 if deliberate or you never told HMRC. Before HMRC writes to you a careless error costs 0 to 30% of the tax; after, 15 to 30%; deliberate 20 to 70% (35% once prompted), concealed up to 100%. Companies and [trusts](#) use other routes.

Missed costs, or tax overpaid

Amend your return within 12 months of the 31 January deadline to add costs you forgot. After that, claim [overpayment relief](#) in a signed letter within 4 years of the tax year's end; companies have an equivalent claim.

Apply, or wait a year for your money

WORKED EXAMPLE

You are a British citizen living in Dubai. Your UK flat brings in £18,000 of rent through an agent; costs are £6,000. You have no other UK income.

	Without NRL1 approval	With NRL1 approval
Rent paid to you in the year	£14,400	£18,000
Tax due on your UK return	£0	£0
Refund to wait for	£3,600	None

£3,600

held back by your agent all year, with no tax due

£0

tax due once the return is filed, either way

WHAT THIS SHOWS

The scheme is a cash-flow trap, not a tax. Apply on NRL1 before the first rent and the agent pays you in full; your UK return settles what is due. Without approval you fund HMRC for a year or more.

Assumptions: UK national, so the personal allowance (£12,570) is available. Agent pays no expenses on your behalf. 2026/27 rates; withholding expected to be 22% from April 2027. Figures rounded to the nearest pound. Illustration only; your numbers will differ.

Talk to us before you move abroad, or before you sell.

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General information about UK tax at 29 September 2026, not advice on your circumstances: take advice on your own facts before acting, and do not rely on this guide alone. No engagement or duty of care is created by it. Rates from April 2027 are as enacted or announced and may change before they apply. HMRC guidance reflects HMRC's view, not the law. SDLT applies in England and Northern Ireland only; Scottish and Welsh income tax rates can differ. We advise on tax only: we are not authorised by the FCA and do not give investment, pension or insurance advice, and we do not form companies for clients, provide a registered office, or act as a company's director, secretary or trustee. Trusts and tenancy law are in outline only.

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