

Is purchasing under a Limited Company for you?

Take a look at some key facts.



Mortgage Rates

Interest rates on Limited Company mortgages can be higher compared to standard Buy to Let products.



Stamp Duty

The same level of Stamp Duty Land Tax* will normally apply when purchasing under a Limited Company, compared to personal ownership.



Tax Relief

Finance costs, including mortgages, remain tax deductible for Limited Company landlords.



Corporation Tax

Limited Company landlords pay corporation tax, not income tax, on their rental income. The current rate of corporation tax is 19%.



Profit Extraction

The way rental income is extracted can make an impact on profit. See the 'Limited Company Profit Extraction from Dividends' table below for a worked example.



Transfer of Property

As the company purchases the property, Stamp Duty Land Tax* may be payable. The individual may have to pay Capital Gains Tax.



Capital Gains

Limited Company landlords pay corporation tax of 19% on their capital gains and there is no tax free allowance. Lower and higher rate tax payers will pay 18% and 28% respectively.

*Land and Buildings Transaction Tax in Scotland and Land Transaction Tax in Wales

Cashflow Scenario 2020/21

	Basic Rate Taxpayer	Higher Rate Tax Payer	Limited Company
Gross Rent	£10,000		
Mortgage Interest Rate	2.50%		3.50%
Mortgage Cost (100k loan)	(£2,500)		(£3,500)
Running Costs	(£2,000)		
Taxable Income	£8,000		£4,500
Tax Rate	20%	40%	19%
Gross Tax (before Mortgage Interest relief)	(£1,600)	(£3,200)	n/a
Mortgage Interest relief	£500		n/a
Tax Payable	(£1,100)	(£2,700)	(£855)
Net Profit	£4,400	£2,800	£3,645

Limited Company Profit Extraction from Dividends

	2 x directors	1 x director	
		Basic Rate Taxpayer	Higher Rate Taxpayer
Value of Dividend	£3,645		
Dividend Allowance	£4,000	£2,000	
Taxable Dividend	£0	£1,645	
Dividend Tax Rate	n/a	7.5%	32.5%
Dividend Tax Payable	n/a	(£123)	(£535)
Net Income	£3,645	£3,522	£3,110

*Calculation based on current Dividend allowance and Dividend Tax rates

TMW specific criteria

- No limit on number of properties
- 125% Interest Cover Ratio (ICR) applies
- Products are available up to 80% LTV
- Limited Company applications can now be made using TMW Online
- TMW's full Limited Company lending criteria can be [read here](#).



See all the ways we help on purchasing under a Limited Company

themortgageworks.co.uk/limitedcompany

The above is for illustrative purposes only, please obtain your own tax and/or financial advice before making a full decision. From April 2017, the income tax payable in Scotland differs from the rest of the UK. All examples assume a tax jurisdiction of England/Wales.

T1403 (11-2019) Correct at time of print