

# 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 75% 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](http://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.

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