



Tax: Incorporating property portfolios

WHY IS THE TAX CHARGE SO MUCH ON MY BUY TO LET PROPERTIES THIS YEAR?

You think it is high this year - you should see what it will be next year. The tax rules have changed so you no longer get as much tax relief on mortgage interest for buy to let property. From next year, you get no tax relief. For someone with a £1,000,000 portfolio with 50% borrowing on it, this extra tax will be around £10,000 a year, every year going forwards.

WHAT CAN I DO ABOUT IT?

These new rules only affect individuals. If your properties were in a company you'd still be able to claim tax relief on your mortgage interest.

AREN'T THERE TAX CHARGES ON PUTTING MY PROPERTIES INTO A COMPANY?

There can be, but if you've got 10 or more properties you can usually do this without any capital gains tax or stamp duty land tax being charged. It is important to make sure you satisfy all the conditions for this tax relief otherwise you could be facing a big tax bill on putting the properties into the company.

HOW DO I KNOW IF I SATISFY THE CONDITIONS?

Making sure you satisfy those conditions is part of our service. The key point is that you need to have 10 or more properties and this will only be of significant benefit to people that have borrowings on their properties.

DOES THIS AFFECT MY BORROWING?

Sometimes it does and if so we would tie in the timing with when you refinance the properties. In a lot of cases we can secure the tax saving without disturbing the arrangements with your lenders.

WHAT DOES IT COST AND WHAT IS THE BENEFIT?

For someone that would otherwise be paying an extra £10,000 income tax each year, over 10 years the tax saving is £100,000. By putting the properties into a company we can make sure you get around the same amount after tax as you get now. The fee tends to be the equivalent of the year 1 tax saving. We match payment of fees to when you would have otherwise paid the tax, so in effect your net position stays the same throughout.

I WANT TO SAVE MY MONEY ON MY TAX BILL. WHAT SHOULD I DO NOW?

This is the easy bit. For an initial free consultation to chat through your individual situation contact our expert tax solicitor, Simon Briton:

T: 0191 466 1080

E: simon.briton@pglegal.co.uk

Make planning for the future today's job.

