



FACTSHEET

UK Property Investment and Tax — a guide for UK Residents

If you are looking to buy property, whether as your home or as a long-term investment, the UK property market offers some attractive purchases.

But for prospective purchasers who are UK domiciled and UK resident for tax purposes, there are a number of things to consider, not least of which is UK tax legislation.

As such these may have an impact on your decision as to whether to buy the property personally or whether to purchase through a Special Purpose Vehicle (SPV). Examples of SPVs might be a UK based limited company or trust structure, or an offshore based limited company or trust structure.

Property investment and tax

For UK Resident investors, the main tax considerations are:

- Stamp Duty Land Tax (SDLT) on the purchase price
- Income tax on rental income
- Capital gains tax (CGT) on sale of a property, and
- Inheritance tax (IHT) on a lifetime gift of property and on death

Stamp Duty Land Tax (SDLT)

SDLT is levied on the purchase of all UK properties. Current rates for buy to let residential property are:

Value up to £125,000	3%
£125,001 to £250,000	5%
£250,001 to £925,000	8%
£925,001 to £1.5 million	13%
Over £1.5 million	15%
>£500,000 for certain non-natural persons	15% *

Income tax

UK income tax in the year ending 5 April 2018 (subject to a personal allowance of £11,500 if total income is no more than £123,000)

< £33,500	20% then
<£150,000	40% then
>£150,000	45%

There are different rates for dividends paid by businesses.

As a UK-resident landlord, you will receive your rental income without deduction and will be taxed on the rental income, less any allowable expenses (see Factsheet Allowable expenses for Property Businesses).

For a company, net rental income is subject to corporation tax at a rate currently of 19%. Limited companies do not have a personal allowance.

Capital Gains Tax (CGT)

U K resident taxpayers will be subject to CGT on the disposal of residential properties that are not their main residence.

If you hold your property within an SPV such as a UK limited company, you will also pay CGT on the disposal of your shareholding.

Inheritance Tax (IHT)

If your property is held in your own name, in the event of your death, it will be subject to UK IHT. Exemptions may apply, for example if your property is passed to your surviving spouse under the terms of your will.

Provisions can be made to cover the IHT liability with insurance or by purchasing your investment property through a more tax efficient structure. You may also want to consider the current terms of your Will.

For more information

If you own, or are considering purchasing, property in the UK it is vital that you are aware of the tax laws and how they apply to you. This is a complex area and whether you are seeking access to income or capital growth will have a major impact on the decision as to how you own your property.

Contact us today to discuss your individual circumstances:

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