



## 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.

The notes below are based on the assumption that the property acquisition is an investment rather than a second home.

#### ***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, for the period to 30 June 2021, are:

Value up to £500,000	3%
£500,001 to £925,000	8%
£925,001 to £1.5 million	13%
Over £1.5 million	15%

Rates from 1 July 2021 to 30 September 2021 are:

Value up to £250,000	3%
£250,001 to £925,000	8%
£925,001 to £1.5 million	13%
Over £1.5 million	15%

The rates that will apply from 1 October 2021 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%

The rates in the tables above include a 3% surcharge that is levied when purchasing a second property.

There is a flat rate charge of 1 % on residential leases over £125,000 and non-residential leases over £150,000. The value is calculated by reference to the net present value of the rent on the new lease. Where the value of the lease is in excess of £5m, the rate is 2%.

Current rates for non-residential or mixed use land or property are:

Under £150,000	0%
£150,000 to £250,000	2%
Over £250,000	5%

### ***Income tax***

UK income tax in the year ending 5 April 2022 (subject to a personal allowance of £12,570 if total income is no more than £125,140)

< £37,700	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.

There is an obligation to report capital gains on property sales and to pay any capital gains tax due, within 30 days of the date of sale.

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. It may be possible to purchase your investment through a more tax efficient structure though this requires specialist advice as legislation is continually changing.

You may also want to consider the current terms of your Will and may need to take both tax and legal advice to avoid probate problems and delays in obtaining control of the property by the heirs. IHT rates can be as high as 40%.

### **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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