

# LIMITED COMPANY BUY TO LET MORTGAGES



**JOHN  
CHARCOL<sup>TM</sup>**  
INDEPENDENT  
MORTGAGE EXPERTISE

# WHY SET UP AS A LIMITED COMPANY?

---

The gradual restriction in the tax relief landlords can receive will reduce over a four year period from April 2017.

This change means that limited company set-ups could offer potential benefits to many property investors. In this guide we look at the key points you should consider when deciding if setting up as a limited company is right for you. However, before making your final decision we recommend that you seek specialist tax advice.



## IMPROVED TAX EFFICIENCIES AND PLANNING

---

Holding property in a limited company may offer some tax benefits to certain people. For example, if you're a higher rate taxpayer, you could find that it is beneficial in terms of tax saving. When you own a property in your name the rental income is added to any 'earned' income and then taxed at your personal tax rate (phased in over the next few years). Rental profits on properties held in a limited company are not taxed at your personal Income Tax rate. Instead, you'll be taxed at the current Corporation Tax rate. If you decided to take the profit out of the company as a dividend, you'll be taxed at the Dividend Tax rate which is still different (at present 20%) from regular Income Tax. Currently there is also a tax free threshold of £5,000 on dividends.

If you plan to expand your property portfolio, it is possible to retain the profits within the company to fund future purchases without them being subject to Dividend Tax (until you decide to draw the profits out of the company usually as dividends).

As a director, you decide when to distribute profits to shareholders.

This can help with your personal tax planning.





## THE ADVANTAGES OF LIMITED COMPANY FOR BUY-TO-LET PROPERTY

---

### IT CAN BE SIMPLER AND QUICKER THAN YOU THINK

Setting up a limited company takes just 15 minutes and can be done easily online. However, we recommend you seek advice from an accountant or legal advisor before doing so (see 'How to set up a limited company').

### FUTURE PLANNING

If you plan to pass your business on to family in the future, it is simpler to transfer a limited company than a privately held property. In this circumstance, as the property remains owned by the company, it could also be protected from Stamp Duty, Inheritance Tax and Capital Gains Tax liabilities.

### PORTFOLIO EXPANSION

Retaining profits within the company helps to protect them from tax liabilities because you're not making a 'capital gain'. This could help you use more of your profit to expand your property portfolio faster.

### LIMITED LIABILITY

A Limited Liability Company means that you are not personally liable for debts held by the company. However, you are not absolved of the personal guarantees outlined by your mortgage lender.



## SPECIALIST FINANCE OPTIONS

---

### BRIDGING LOANS

There are instances in which a mortgage can't be secured on a property. A bridging loan can act as a stopgap until a mortgage can be secured. For landlords, a bridging loan is appropriate if a property is not yet habitable (e.g. it doesn't have a working kitchen or bathroom) or it is being bought at auction and finance needs to be arranged quickly.

Please note, bridging should be seen as a short term solution because of the increased cost of funding and the bridging lender will want you to prove you have a credible plan to repay the loan at the end of the term.

### DEVELOPMENT FINANCE

If you're planning to expand your portfolio by building a completely new property, renovating a dilapidated building or converting a building, development finance is more suitable than a mortgage.

At John Charcol, we have a network of finance providers all of whom have something slightly different to offer a budding property developer.

Through our network, we can construct finance packages for residential and commercial projects. With finance available up to £25 million, no matter how large your development project is,

we can find a provider who will be willing to consider lending to you.

### SECOND CHARGE MORTGAGES FOR PORTFOLIO LANDLORDS

If, over your years of property investing you've secured a low, base rate tracking mortgage, you may not want to give up that rate by remortgaging. A second charge mortgage allows you to release equity in your portfolio without remortgaging. This is a good option should you need to do some work on an existing property, raise finance for a new property or to use as you see fit.





## LENDING CRITERIA CHANGES

---

In September 2017, the PRA (Prudential Regulatory Authority) imposed tougher underwriting standards on buy to let mortgage lenders. What that means in a nutshell is that landlords will come under more financial scrutiny when applying for a new mortgage on a new property or remortgaging.

The changes will only affect landlords with four or more properties and lenders who intend to continue working with these landlords will have to demonstrate that they have carried out a detailed assessment of a landlord's business plan. In doing so, lenders have to demonstrate that they have how a landlord are managing risk.

This means that lenders will have to 'stress test' a landlord's entire portfolio rather than just the property they're lending against. The effect on landlords will be that mortgages may take longer to be approved and the amount they are able to borrow could be reduced if the individual in question can't stand up to scrutiny. The changes may also lead to landlords being unable to use the equity in their existing portfolio to fund further property purchases.

It has been predicted that some lenders will choose to only let to single property landlords and not to portfolio landlords. This means there could be fewer lenders for professional portfolio landlords to choose from.







## PORTFOLIO LANDLORD INSURANCE

---

Any property owner of any nature must have buildings insurance in order to get a mortgage. Landlords are no exception however, they should also strongly consider getting specialist landlord insurance.

This is especially true as a professional landlord given that you're likely to have a number of properties to insure. A regular landlord insurance policy may only allow you to insure one property. Whereas, a landlord portfolio insurance policy will allow you to insure multiple properties under one policy. Furthermore, should you expand your portfolio, a portfolio policy should allow you to add properties as you go.

At John Charcol, we have an in-house team dedicated to portfolio landlord insurance. We can advise you on the most suitable policy for your circumstances and arrange cover for you.





## **SPECIALIST MORTGAGE ADVICE**

---

When it comes to buying any property, everyone's circumstances are different. As a professional landlord, your circumstances are likely to be more complex than those applying for a regular buy to let or residential mortgage.

But our combination of expert staff and access to the whole market allows us to offer impartial advice and support for portfolio landlords to help guide you through the finance options available to you as a portfolio landlord. We also have access to a range of other trusted partnerships with professionals such as insurers, tax accountants and legal professionals. With the help of these partners and our staff, you get the whole 360 degree service.

### **We can help a broad range of clients including:**

- Portfolio's ranging from 4 to 100's of property
- Purchasing a property at auction
- Student buy to let's
- Multiple flats under one freehold
- Remortgages within 6 months
- Mortgages for clients showing little or no taxable income
- Mortgages for property developers
- Limited Company buy to let mortgages
- Portfolio landlords (with for of more properties)
- Mortgages for homes of multiple occupations
- Semi commercial mortgages

# WHY CHOOSE JOHN CHARCOL

---

We've been helping landlords buy property and protect their investments for over 40 years. Over this time, we've helped thousands of people get the best deal to maximise their property empires, both large and small. Here's how we've helped all those people and how we can help you too.

## WE'RE INDEPENDENT

That means we're not tied down to a number of mortgage providers on a panel. Instead, we search a huge number of providers across the whole UK market to find a mortgage that's just right for you.

We're also not driven by commission. We're only driven by the desire to get you great deal on your mortgage.

## WE'RE EXPERTS

When you're investing in the buy to let market, you'll probably experience the full spectrum of emotions. We aim to do our bit to take the stress out of arranging

the mortgage and protecting your property.

That means:

- You'll speak directly to your own personal adviser and case handler. They'll stick with you until the job is done.
- Your adviser will speak to you in plain English, get to know you and your requirements and be totally transparent with regards to any fees and charges.

**96%**  
**OF OUR CLIENTS**  
**RECOMMEND US ON\***

 **REVIEWS**

\*Correct as of Dec 2017







# INDEPENDENT MORTGAGE EXPERTISE

Helping you get the best advice to  
maximise your property investment

---

Call us on: 0344 346 3670

or visit: [charcol.co.uk](https://charcol.co.uk)

John Charcol is a trading name of John Charcol Limited and its Appointed Representatives. John Charcol Limited is authorised and regulated by the Financial Conduct Authority. The Financial Services Register number is 665649. Registered in England No. 9157892. Registered office address for John Charcol Limited is 5th Floor, Cutlers Exchange, 123 Houndsditch, London, EC3A 7BU. The FCA does not regulate some investment mortgage contracts. Version 1.0 (Jan 2018).

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**