

Welcome to our monthly newsletter for property landlords. We hope you find this informative and please contact us to discuss any matters further.

Holding property in a limited company

More and more buy-to-let landlords are holding mortgages within limited company structures. Before deciding on the most appropriate structure for your property business, it is important to consider the various implications of corporate ownership.

Advantages

- The property would be owned by the limited company, which is a separate legal entity. The owner's personal assets would be protected against business debts or legal claims (unless, as is common, bank guarantees are required in order to secure funding).
- It *may* be more tax efficient. Rental income received by an individual is added to their other income and taxed at their marginal income tax rate (which for higher (Scottish) earners is 42% or even 48%). In contrast, profits in a company are subject to Corporation Tax – currently 19% for small profits, up to 25% for larger profits (as of April 2025).

However, it is important to note that the tax advantage exists at the company level. If you want to draw the profits out for personal use, you will then pay personal tax (at dividend tax rates) on those withdrawals. Whether or not you will save tax overall depends on a range of factors including the portfolio's overall profits and your marginal rate of income tax. It is important to approach incorporation using forecasts based on your specific situation – you may or may not save tax overall.



- Using a company can also open up inheritance tax (IHT) planning opportunities for landlords who want to pass their property wealth to the next generation.
- Restrictions applicable to dwelling-related loan interest and associated finance costs were introduced in 2017, meaning individual buy-to-let owners can only claim a basic-rate tax credit (20%) on their finance interest, rather than deducting it as an expense. This means higher-rate taxpayers effectively pay tax on part of their mortgage interest. Limited companies are not subject to the restriction. When you hold property in a company, the mortgage interest

is treated as a business expense and can be deducted in full against rental income before calculating taxable profit.

Disadvantages

- Compared with individual ownership, a limited company requires more administration and comes with a much larger compliance burden.
- Generally, the costs involved in a limited company obtaining finance are higher than those for individuals.
- Typically, you will need to 'sell' your properties to the new company, which would trigger both Land and Buildings Transaction Tax (LBTT)/Stamp Duty Land Tax (SDLT) (including the commonly prohibitive Additional Dwelling Supplement (ADS)) and Capital Gains Tax (CGT) charges. It is essential to calculate these costs to see if the long-term tax savings justify the immediate tax hit.

Housing, Communities and Local Government Committee

In an 8 July meeting of the Housing, Communities and Local Government Committee (HCLG), Housing Secretary Angela Rayner refused to address requests to unfreeze Local Housing Allowance (LHA) rates.



The LHA is intended to help people cover affordable housing costs, but it has not kept up with rent increases in the past decade. In Budget 2024, Rachel Reeves announced an LHA freeze for 2025/26, meaning it will not rise in line with inflation or increased rents.

The Housing Secretary was questioned by several committee members who echoed the concerns of anti-poverty campaigners when they described how freezing the LHA was pushing more families into poverty.

Instead of addressing the LHA freeze, Ms Rayner responded by highlighting the government's Affordable Homes Programme and the measures to protect tenants in the Renter Rights Bill.

Scotland: Housing taxes reimagined

The UK Collaborative Centre for Housing Excellence has published a report, 'Sustainable Housing Policy in Scotland: Reforming Devolved Property Taxation'.

The report critically assesses the contribution and effects of Council Tax and LBTT in Scotland.

The report suggests that the Council Tax System is reformed and LBTT is abolished – with a 'proportionate property tax' suggested as an alternative (similar to the proposal apparently being considered by the Treasury, as mentioned below).

For more information, read [here](#).

Interest rates held at 4%

On 18 September 2025 the Bank of England Monetary Policy Committee voted to hold the main rate of interest at 4%, following a cut from 4.25% in August.



Is this news likely to affect mortgage rates? Predictions for further rate reductions are mixed, with some economists expecting another cut before the end of 2025 and others forecasting a pause or delay in cuts due to ongoing inflation concerns.

Property tax overhaul being considered

In August 2025 the Guardian newspaper reported that the Treasury is considering overhauling the country's stamp duty and council tax systems. A significant measure under consideration is a new 'proportional' national property tax on the sale of homes over £500,000.

The new tax would replace stamp duty and would be paid by owner-occupiers on houses worth more than £500,000 when they sell their home. The rate would be set by central government and collected by HMRC. Crucially, the new tax would not replace stamp duty on second homes.

No final decisions have been made at this point but it is possible that some related announcements will be made in the Autumn Budget on 26 November.

Phasing in a replacement for stamp duty would take time and it is thought that a range of phasing options are being considered. It is thought that the current government

would be able to introduce the new tax during this parliament but that overhauling the council tax system would require Labour to win a second term.

Autumn Budget 2025 – how could it affect landlords?



With the Autumn Budget set to take place on 26 November 2025, rumours and speculation are inevitable. Whilst it is true that we should take budget predictions ‘with a pinch of salt’, it is worth being aware of what *could* happen on 26 November.

In addition to the new property tax and council tax overhaul mentioned above, the following measures have been mentioned as potential announcements on budget day:

- The scope of National Insurance Contributions (NICs) could be widened to include landlords, levelling the playing field with those running their own trading business.
- Tax reliefs in respect of pension contributions may be restricted.
- The rates of CGT (currently 18% for basic rate taxpayers and 24% for higher/additional rate taxpayers) could be aligned with those for Income Tax, making the rate as high as 45%.
- There may be further restrictions to available IHT reliefs, possibly by introducing limits on exempt lifetime gifting.
- The VAT registration threshold, currently £90,000, may be lowered or abolished.
- The rate of VAT on domestic fuel is currently 5%. There are rumours that, in order to help with the cost of living crisis, such supplies will become zero-rated.

Labour's 2024 manifesto pledged that there would be **no increases to National Insurance, the basic, higher or additional rates of Income Tax, or VAT**. It is likely, however, that thresholds will be frozen further, perhaps until April 2030. After budget day, we will make sure that you are informed of the measures that affect you. Or join us at one of our Budget events in Edinburgh and Dunfermline – [book here](#).



The Budget events you can't afford to miss!

EDINBURGH
Budget Briefing & Networking
Thursday 27 November
16.00 - 18.15
DoubleTree by Hilton Edinburgh City Centre

DUNFERMLINE
Budget Briefing & Networking Lunch
Friday 28 November
11.00 - 13.45
Carnegie Conference and Events Centre

**2025
Budget**

Booking Essential - visit www.thomsoncooper.com to register

 **THOMSON COOPER
ACCOUNTANTS**

If you would like to speak to us and find out how we can help you with any property-related issues, please contact Keith Hunter on 01383 628800 or email khunter@thomsoncooper.com.

The newsletter is part of our online [Property and Landlord Hub](#) which also features factsheets and property-related articles.