DEEP DIVE GUIDES · WHERE THE SEASONED MONEY GOES

INCORPORATION

The limited company question, settled properly before April 2027.

From April 2027 rental profits held personally will be taxed at new, higher property income rates, while company profits will not. This guide runs the arithmetic both ways: when the limited company wins, when it loses, what it costs to move an existing portfolio, and how to brief the accountant who must sign off the answer.

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THE GAP JUST WIDENED

Why the company question is back

A decade of tax tightening on personal landlords culminates next April in a separate, higher set of rates for property income, and the limited company is the door the Treasury left open.

The sequence is familiar to anyone who has held rental property since 2015: the 3 per cent, now 5 per cent, stamp duty surcharge; the Section 24 restriction of mortgage interest relief to a basic-rate credit; the loss of the wear-and-tear allowance; frozen thresholds pulling rents into higher bands. The Autumn Budget 2025 added the capstone. From 6 April 2027, under the Finance Act 2026, property income in England, Wales and Northern Ireland will be taxed at its own rates of 22 per cent basic, 42 per cent higher and 47 per cent additional, two points above the equivalent income tax rates, with the Section 24 credit rising to 22 per cent in step and the personal allowance applied to earned income first. HMRC projects around 2.4 million landlords will pay more. Company landlords are untouched: rental profit inside a company pays corporation tax at 19 to 25 per cent, and the new property rates simply do not apply.

Hence the question, which splits into two quite different problems. Buying the next property through a company is cheap and administratively simple, which is why a clear majority of new buy-to-let purchases now complete inside one. Moving an existing personally held portfolio into a company is another matter entirely: it is a disposal at market value, triggering capital gains tax and stamp duty unless specific reliefs apply, and the reliefs have conditions that most small landlords fail. This guide takes the two problems in turn, shows the arithmetic honestly, and is blunt where the answer is genuinely personal. It is; and this is the one decision in this series where the accountant's fee is not optional.

BY NUMBERS

- 22% / 42% / 47% - the property income tax rates from 6 April 2027 (Finance Act 2026)
- 19% to 25% - corporation tax on company rental profits, with marginal relief between £50,000 and £250,000
- 18% / 24% - CGT rates on residential disposals, with a £3,000 annual exempt amount and 60-day reporting
- 5% - SDLT surcharge a company pays on every residential purchase, first pound upwards
- April 2026 - Making Tax Digital begins for landlord incomes over £50,000; £30,000 from 2027, £20,000 from 2028

THE NEW MACHINERY

What a company actually changes

The company is not a tax dodge but a different tax system: better on interest and retention, worse on extraction and administration.

Three differences do nearly all the work. First, interest: a company deducts mortgage interest in full before calculating taxable profit, where a personal landlord gets only a basic-rate credit; on a geared portfolio this alone can swing the annual outcome by thousands. Second, rates: corporation tax at 19 per cent on profits under £50,000, rising through marginal relief to 25 per cent above £250,000, compares with personal marginal rates that from April 2027 reach 42 and 47 per cent on rental profit. Third, retention: profit kept inside the company to fund the next deposit suffers only corporation tax, which makes the company a compounding machine for the investor who is building rather than spending.

Now the other side of the ledger. Money taken out of the company is taxed again, as salary or dividends, and dividend rates rose a further two points from April 2026; a landlord who needs the rent to live on can find the combined company-plus-dividend burden little better, and sometimes worse, than personal rates. Company borrowing is a genuine market but prices slightly higher, with personal guarantees standard. Accounts must be filed, confirmation statements made, and an accountant retained, typically several hundred to over a thousand pounds a year. And company ownership forfeits the personal CGT annual exemption and the prospect of no CGT rebasing on death that personal holders' estates may use. The honest summary: the company favours higher-rate taxpayers, geared portfolios and reinvestors; personal ownership still suits basic-rate taxpayers, low gearing and those spending the income. Most portfolio landlords in this readership sit in the first camp, which is why the traffic is one way.

Factor	Personal ownership	Limited company
Mortgage interest	22% credit only (from 2027)	Fully deductible
Tax on profit	22% / 42% / 47% from April 2027	19% to 25% corporation tax
Taking the money out	Nothing further to pay	Dividend or salary tax applies
Admin burden	Self assessment plus MTD	Accounts, filings, accountant
Purchase SDLT	5% surcharge if additional	5% surcharge on every purchase

The arithmetic, both ways

Run your own portfolio through this frame before the accountant does; the answer usually announces itself.

Take a higher-rate taxpayer with £20,000 of rent and £8,000 of mortgage interest on personally held property. From April 2027 the rent is taxed at 42 per cent, £8,400, less a 22 per cent credit on the interest, £1,760, leaving £6,640 of tax and £5,360 in hand from £12,000 of true profit: an effective rate above 55 per cent on the economic profit. Inside a company, the same figures produce £12,000 of taxable profit after full interest deduction and £2,280 of corporation tax at 19 per cent, leaving £9,720. If every pound is retained for the next deposit, the company wins by more than £4,000 a year on this small example, and the gap scales with gearing and with rate rises. If every pound is extracted as dividends, dividend tax claws back a large share of the advantage; the break-even depends on your other income, which is precisely why the generic internet answer is worthless.

The move itself is the second sum. Transferring an existing portfolio to your own company is a market-value disposal: capital gains tax at 18 or 24 per cent on the whole accrued gain, and stamp duty with the 5 per cent surcharge on the whole current value, payable in cash against no sale proceeds. Two reliefs can neutralise these, and both are conditional. Incorporation relief under Section 162 rolls the gain into the company shares, but requires the portfolio to be a genuine business, transferred whole; case law has accepted substantial, actively managed portfolios and rejected passive ones, with serious weekly involvement the recurring theme. SDLT partnership relief can eliminate the duty where a genuine partnership, not merely joint ownership, has run the business. Landlords who qualify for both can incorporate at little tax cost; landlords who qualify for neither face a bill that can exceed the tax saving of a decade. Establishing which you are is the entire job.

Scenario (illustrative)	Personal (2027 rules)	Company (retained)
Rent	£20,000	£20,000
Mortgage interest £8,000	22% credit only	Fully deducted
Tax payable	around £6,640	around £2,280
Kept for reinvestment	£5,360	£9,720

Illustration for a higher-rate taxpayer at the announced April 2027 property income rates and 19 per cent corporation tax; your figures will differ. Extraction as dividends changes the outcome materially.

THE TAXMAN'S SHARE

The reliefs, and their small print

Incorporation lives or dies on two reliefs written for businesses, not for portfolios of two houses managed by an agent.

Section 162 incorporation relief defers the capital gain by rolling it into the base cost of the shares you receive, provided the whole business is transferred as a going concern in exchange for shares. The contested word is business. The leading authority accepted a couple who spent substantial time each week actively managing their portfolio; HMRC resists claims where a handful of properties are fully delegated to agents. There is no statutory bright line, no clearance procedure for the business question, and the relief is examined after the event, which is why advisers document management activity for a year or more before transferring. Note also what deferral means: the gain has not vanished but moved into the shares, resurfacing when the company or its shares are eventually sold, and the company's own base cost in the properties resets to market value, which helps on a future property-by-property sale.

On stamp duty there is no general incorporation relief; the company pays on market value with the 5 per cent surcharge unless the transfer comes from a genuine partnership, where the sum-of-lower-proportions rules can reduce the charge to nil for connected partners. A partnership means a real business carried on in common with a view to profit, evidenced over time by a partnership agreement, its own bank account, filed partnership returns and genuine joint management; a married couple who merely co-own and split the rent do not qualify, and schemes that manufacture a partnership shortly before incorporating attract HMRC's specific attention and, in aggressive forms, have been publicly challenged. Anti-avoidance also polices the boundary. The practical rule: if your affairs genuinely look like a business, the reliefs were written for you; if they must be dressed up to look like one, the costume is the risk.

DECISION CHECKLIST

Before deciding: compute the accrued gain and current value per property; establish whether your involvement plausibly constitutes a business; check every mortgage's consent and ERC position; model retained versus extracted profit at your own marginal rates.

If proceeding: take written advice on Section 162 and SDLT before any transfer; evidence partnership or business activity in advance, not retrospectively; refinance costs into the plan; and complete well before 6 April 2027 if the new rates are the trigger.

Lending to the company landlord

The mortgage market has followed the tax incentives; company lending is now mainstream, but it is not identical, and an incorporation refinances every loan at once.

A new-purchase company mortgage is straightforward: a special purpose vehicle with the right registered activity codes, directors' personal guarantees, and rates typically a little above the equivalent personal product, though the gap has narrowed as volume has grown and some lenders now price the two identically. Interest coverage is generally stressed at 125 per cent for a company against 145 per cent for a higher-rate personal borrower, which means a company can often borrow more against the same rent: an underappreciated point for investors in lower-yielding stock. Maximum loan-to-value is 75 per cent with the mainstream panel, higher with specialists at a price, and fee structures lean towards percentage arrangement fees, which suit smaller loans better than flat fees do.

Incorporating an existing portfolio is where financing gets expensive, because a transfer to the company is a sale: every mortgage must be redeemed and rewritten in the company's name, crystallising early repayment charges on fixed rates, new arrangement fees, new valuations and new legal work across the whole portfolio simultaneously. The disciplined route is to phase the incorporation around fixed-rate maturities, moving properties as their ERCs expire, though this complicates the Section 162 requirement to transfer the business as a whole and therefore needs advice on sequencing; some landlords instead incorporate in one event timed to the largest maturities and absorb the balance of charges. Either way, the refinancing bill belongs in the incorporation arithmetic alongside CGT and SDLT, and a broker who can place a multi-property portfolio application with one lender will save both money and months.

Route	How it works	Watch for
SPV purchase mortgage	Company buys next property directly	Personal guarantees; slightly higher pricing
Portfolio incorporation refinance	All loans rewritten to company at transfer	ERCs, fees and valuations across every property
Phased transfer	Properties move as fixed rates mature	May conflict with whole-business relief conditions
Hybrid holding	New buys in company; legacy stays personal	Two tax regimes to administer indefinitely

EARNED THE HARD WAY

The investor's playbook

The company is a tool, not a destination; the seasoned investor chooses it, or declines it, on arithmetic they have run themselves.

Strip the noise away and the decision is three questions. What do the two regimes cost you annually, at your marginal rates, on your gearing, given how much profit you extract? What would moving cost you once, in CGT, SDLT and refinancing, given which reliefs you genuinely qualify for? And how long will you hold, since the annual saving must repay the one-off cost within your investment horizon? Landlords who answer with their own numbers reach settled decisions quickly; landlords who answer with a seminar's numbers buy structures they do not need. The April 2027 rate change sharpens the first question without changing the method, and it puts a date on procrastination.

TEN HABITS OF THE SEASONED INCORPORATOR

- Runs the personal-versus-company sum annually; circumstances change and so does the answer.
- Buys new property in the structure the sums support today, not the one chosen in 2015.
- Never incorporates an existing portfolio without written advice on both Section 162 and SDLT.
- Documents management time and partnership activity as it happens, not when relief is claimed.
- Times transfers around fixed-rate maturities and prices every ERC into the decision.
- Models extraction honestly; a company that must pay out all its profit loses most of its point.
- Keeps the SPV clean: property only, proper accounts, no trading sidelines.
- Treats a hybrid portfolio as acceptable, and often optimal, rather than untidy.
- Prepares for Making Tax Digital now; quarterly reporting arrives regardless of structure.
- Walks away from any scheme whose promoter is more certain than the legislation.

KNOW YOUR EXIT

The bigger picture

The tax system is being rebuilt around the assumption that landlording is a business; structure yours accordingly, whichever wrapper you choose.

The direction of policy could hardly be clearer. Separate property income rates from April 2027 formalise the principle that rental income is to be taxed more heavily than wages; Making Tax Digital drags landlord reporting onto a quarterly business footing from April 2026; the Renters' Rights Act professionalises the operating side; and the PRS database will shortly make compliance histories public. Every one of these measures narrows the space in which the informal, personally taxed hobby landlord can prosper, and each nudges the sector towards corporate or quasi-corporate operation. Nothing announced changes company taxation of rental profit, and the political economy of doing so, when the government wants institutional investment in rental housing, argues for stability there, though nothing in tax is permanent and the incorporated should stay alert to Budgets too.

The exit deserves equal thought, because the company changes it. A personal landlord sells properties and pays CGT once; a company landlord either sells properties inside the company, paying corporation tax on gains and then dividend tax on extraction, or sells the company's shares, which sophisticated buyers may discount for latent gains but which can suit a whole-portfolio disposal. Succession is where companies quietly excel: shares can be gifted incrementally, structured into growth and freezer classes, and planned around inheritance tax in ways a schedule of houses cannot, which is why incorporation is often really an estate-planning decision wearing an income tax disguise. Whatever you choose, choose it deliberately, on advice, before April 2027 makes the default choice for you.

QUICK REFERENCE

Item	Position at the time of writing	Source and date
Property income rates	22% / 42% / 47% from 6 April 2027 (E, W and NI)	Finance Act 2026
Section 24 credit	Rises to 22% alongside the new rates	Finance Act 2026
Corporation tax	19% to 25%, marginal relief £50k to £250k	HMRC, 2026-27
Dividend tax	Rates rose 2 points from April 2026	Autumn Budget 2025
CGT on residential	18% / 24%; £3,000 exemption; 60-day reporting	HMRC, 2026-27
SDLT for companies	5% surcharge every purchase; 17% flat above £500k	HMRC, from Oct 2024
Incorporation relief	S162 TCGA; requires a genuine business, transferred whole	Case law; no clearance
SDLT partnership relief	Can reduce charge for genuine pre-existing partnerships	FA 2003 Sch 15
MTD for income tax	£50k from Apr 2026; £30k 2027; £20k 2028	HMRC
Company BTL lending	75% LTV mainstream; ICR typically 125%	Lender criteria, mid-2026

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