



ABEL ON PROPERTY

Incorporate or Not?

the portfolio decision, plain English

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Why I wrote this

Every month a landlord sits across from me and asks the same question: “Harish, should I put my properties into a limited company?”

In 40 years I have seen this done brilliantly — and I have seen it done expensively, by people who copied a friend without doing their own sums.

This book will not tell you what to do. Nobody honest can, without knowing your numbers. What it will do is lay out the trade-offs in plain English: the tax difference, the real costs, and the hassle nobody puts in the brochure. Then you can decide with your eyes open.

— *Harish Verma & Awais Jawaid*

Tax rules change. This guide is general information, not personal advice. Before you act, please get advice for your own situation.

The two roads

Your properties can live in one of two boxes. Box one: your own name. You own the houses, the rent is your income, and you are taxed on it like any other personal income.

Box two: a limited company. The company owns the houses. The company pays tax on the profit. You only pay personal tax on what you take out — as salary or dividends.

Same houses, same rent, same tenants. The only thing that changes is the box — and the tax rules that come with it.

The tax difference, in plain words

In your own name, your rental profit is added to your other income and taxed as income tax. And here is the sting: since Section 24, you can only get basic-rate relief on your mortgage interest — even if you pay tax at a higher rate. For a mortgaged landlord, that hurts.

In a company, the company pays corporation tax on the rental profit, and there is no Section 24 — the full mortgage interest comes off before tax. That is the big attraction.

But remember the second layer: when you take money out of the company for yourself, that is taxed again. A company suits landlords who leave profit inside to grow the portfolio — it suits them far less if you need every pound of rent to live on.



Two boxes, same houses — personal ownership or a limited company.

The real costs of moving in

Here is what the seminar sellers skip: moving properties you already own into a company counts as selling them, in the taxman's eyes. That can trigger real bills on day one.

Capital gains tax can arise on the transfer — and if a property is sold, UK residential disposals must be reported to HMRC within 60 days. Stamp duty can arise too, and the extra 5% surcharge on additional properties can bite on the transfer.

Then add the honest costs: legal fees, valuations, mortgage exit fees and new company-mortgage arrangement fees. Before you move a single house, get the full cost on one page. If nobody will put it on one page, walk away.

The hassle nobody puts in the brochure

A company is a separate person in law, and it behaves like one. Company mortgages usually cost more than personal ones, and lenders will still ask you for a personal guarantee — so do not imagine the risk disappears.

Every year the company needs accounts, a tax return and filings at Companies House. Miss them and there are fines. And company money is not your money: dip into it like a personal purse and you create a tax mess.

None of this is a reason to say no. It is a reason to go in with your eyes open and a good accountant beside you.



Get the full cost of moving on one page before you decide.

When staying personal wins

Staying in your own name tends to suit you if most of these are true. You own one or two properties with little or no mortgage. You are a basic-rate taxpayer and likely to stay one. You need the rental income to live on. You may sell up within a few years — selling personally can be simpler and the annual tax-free allowances are yours to use.

There is no shame in the simple route. The best structure is the one you understand and can run properly.

When a company wins

A company tends to suit you if most of these are true. You pay tax at a higher rate and Section 24 is costing you real money. Your portfolio is growing and you reinvest the profits rather than spending them. You are holding for the long term — ten, twenty years. You want a clean vehicle to pass on to children one day.

Notice the pattern: companies reward landlords who think in decades and reinvest. They punish landlords who need the cash now.

Five questions to ask yourself

Answer these honestly — on paper, with your own numbers — before you decide anything.

- **Am I a higher-rate taxpayer now, or will I be within three years?**
- **Do I need the rental income to live on, or can profits stay invested?**
- **How long will I hold these properties — years, or decades?**
- **What would the day-one tax and legal cost of moving be, on one page?**
- **Am I willing to run company accounts and filings properly, every year?**

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What to do next

This decision is worth real money either way — which is exactly why it deserves proper sums, not a guess.

Bring us your portfolio and we will model both roads side by side, with the day-one costs on one page. Then you decide with your eyes open.

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Not all accountants are the same.

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