Limited Company Buy-to-Let Set to Stay for UK Expats and Foreign Nationals in 2022

With 47,400 new buy-to-let company incorporations in 2021, we examine why UK expats and foreign nationals should consider holding property in a limited company.

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MANCHESTER, GREATER MANCHESTER, UK, February 1, 2022 /EINPresswire.com/ -- There has been a notable rise in the number of buy-to-let landlords holding their properties in a limited company instead of in their name. We have discussed this before. But, according to Companies House, there were 47,400 new buy-to-let company incorporations in 2021. With this trend really set to stay, it's time to look at what this means for UK expats and foreign nationals buying an investment property with a UK expat or foreign national mortgage.

The Background.
'The big change was in 2017,' says Stuart Marshall, CEO of Liquid Expat Mortgages. 'This was, of course, the year where landlords became unable to claim mortgage interest as a tax expense. For our customers who are higher earning UK expat and foreign nationals or portfolio investors, we always explore the option of buying their investment property in a limited company. This can save them a huge amount of money each year and really maximise the profitability of their investment.'

The number of buy-to-let companies has now grown to 269,300, 61% of which were set up after the legislative changes in 2017. Only 20% of buy-to-let companies have more than three properties – a very different situation to before 2017 – indicating a shift in habit from one-man-band investors too.

Why Invest in a UK Expat Buy-to-Let Limited Company Mortgage in 2022?

Mortgage Interest.

‘For UK expat and foreign national investors, investing using a buy-to-let limited company mortgage is a good avenue to explore’ says Stuart Marshall. ‘There are many benefits to a limited company mortgage. Of course, the obvious incentive to hold property in a limited company is the tax savings. To paint a picture of just how big these savings can be, imagine a property with a rental income of £15,000 p/a and an interest rate of 3.49%. Before the legislative changes, the landlord would pay £7,852.50 in mortgage interest and is left with a taxable profit of £7,174.50. For a higher rate taxpayer, the tax due would have been £2,859.00, leaving the landlord with a net profit of £4,288.50. After the changes to legislation, the same landlord would have their taxable profit reduced to £6,000.00 and owe £4,429.50 in tax, leaving the landlord with a greatly reduced net profit of £2,718.00.

Because of the legislative changes surrounding mortgage interest relief in 2017, landlords holding their properties in a limited company stand to make far more from their investment.

> “[Rental growth] is still running far above what it historically has, and this indicates that rental growth is going to maintain this incredible pace.”
>
> *Stuart Marshall*

‘However, if the landlord held their property in a limited company, their taxable profit would be £7,174.50. Corporation tax is due at 19%, meaning their payable tax is £1,358.02. The limited company landlord is left with a much higher net profit of £5,789.48. So, in the same tax year, the landlord will make £3,071.48 more net profit in a limited company compared to personally owning the property.’

Inheritance Tax.

‘There are other tax benefits for using a UK expat buy-to-let limited company mortgage too. These include the ability to mitigate the 40% inheritance tax your children would have to pay in the event of your death. This is possible because of the increased flexibility of holding a property in a limited company rather than personally. In the instance of mitigating inheritance tax, limited companies allow UK expat and foreign national landlords to make their children shareholders in the company that owns the property, helping to avoid expensive death duties.’

Flexibility.

The tax-related flexibility of holding an investment property in a limited company also extends to flexibility in building a larger investment portfolio and re-investing in more property. As UK expat and foreign national landlords will not pay income tax on any profits retained in the limited company, more money is available to re-invest in further property purchases. Limited company mortgages are also not subject to the same affordability criteria that private borrower mortgages are – this means that UK expat and foreign national landlords are able to borrow more!

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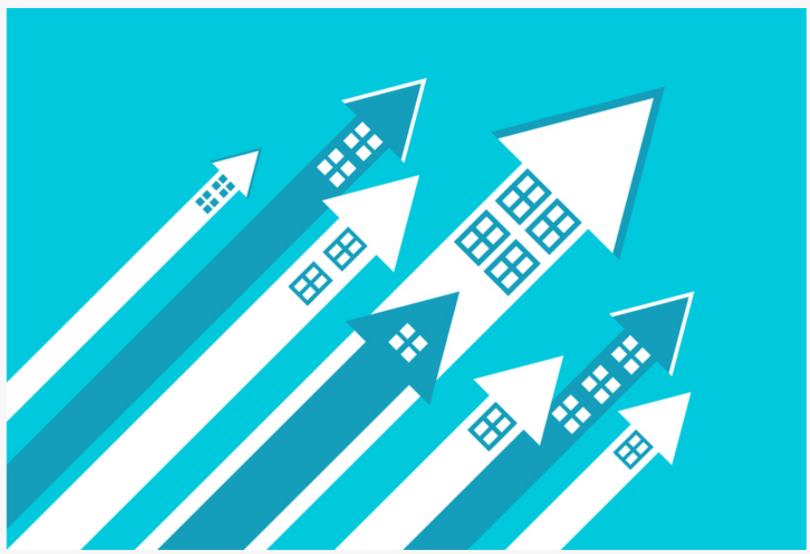

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Liability.
Having a UK expat or foreign national limited company buy-to-let mortgage is also advantageous for liability purposes. UK expat and foreign national landlords will not be liable for tenant debts like outstanding council tax or utility bills, which can create stress within landlords' private lives, damage credit ratings, and lead to UK expats and foreign nationals personally footing their tenants' bills.

Rental Growth.
Despite the many reasons we've mentioned above, the booming rental growth in the current marketplace is the main reason to look into getting a UK expat limited company buy-to-let mortgage. Rental growth was 7.2% in December 2021, almost twice as fast as in December 2020. However, in 2021, there were times where rental growth peaked even higher – around 8.7% in July. While rental growth has tapered off towards the end of 2021, it's still running far above what it historically has, and this indicates that rental growth is going to maintain this incredible pace.

'Given its many advantages, profitability and flexibility,' concludes Stuart Marshall 'UK expats and foreign nationals are increasingly looking toward limited company buy-to-let mortgages as one of the best ways to get into the UK investment mortgage market.'

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