Understand Limited Company Mortgage

Limited company mortgages are becoming a common way landlords manage their properties. Landlords may experience reduced tax liabilities and more forgiving loan terms from lenders by holding a property through a limited company. This manual will explain the benefits of owning a **buy-to-let property** through a limited company and how landlords can get financing. Professional **mortgage brokers in London** will also advise on the best course of action for individual landlords and details regarding current properties held in personal names.

We can advise on the Limited Company **BTL mortgages** to the landlords wish to understand the tax benefit they can get from this. Before making any purchase or **remortgaging** decisions, it is advisable to think about the tax results of how you hold the ownership of a Limited company buy-to-let property. With the right advice, there might be better options than **limited company mortgages for landlords**.

What are Limited Company Mortgages?

Mortgages taken out by limited companies to **[buy properties]** to rent out are known as limited company mortgages. These mortgages give landlords access to specialised financing that may not be possible with personal purchases, as well as the possibility of lower tax liabilities. The firm, not a person, is the legal owner of the property. Different tax laws and regulations therefore apply.

Also Read: **Equity Release and Home Equity: A Comprehensive Guide**

Perks of Limited Company Mortgages:

Landlords can benefit from limited company mortgages in many ways, including possible reductions in tax obligations and more lenient loan terms.

The following are some major advantages of limited company mortgages:

- Due to corporate tax rates being often lower than personal tax rates, taxable income could be reduced.
- As limited corporations are separate legal entities, landlords have limited liability protection.
- Separating personal and corporate money enables landlords to manage their portfolios more effectively.

Another Tax Strategy:

The potential for lesser tax liabilities for landlords is one of the main benefits of limited company mortgages. By buying a property through a limited company, landlords can benefit from tax savings over personal ownership because corporation tax rates are often lower than income tax rates.

Before choosing this course of action, options should be discussed with your tax professional because it may not be advantageous for everyone. Considerations should be made regarding your tax rate, the yield you are getting from your property, how much access you want from the income from your property, and whether you are investing for capital growth.

Generous Terms from Lenders for Lending:

For buy-to-let properties held in an individual's name, the government implemented new rules in 2017 that limit the tax relief against **[mortgage interest payments]** to the basic tax level. Therefore, lenders must account for higher tax liabilities for higher-rate taxpayers while determining the affordability of buy-to-let investments.

However, when the property is bought through a limited company, the entire mortgage payment amount can be completely deducted from the rent before determining the profit for taxation, therefore, lenders can offer more lenient loan terms while offering mortgages for limited corporations.

In addition to offering tax benefits, limited companies generally have higher borrowing capacities because of the way lenders determine affordability. It is a viable option for landlords seeking to manage their finances better or maximise their return on investment.

Also Read: Should I Remortgage With The Same Lender or Move?

Loan Requirements For Limited Companies:

Lenders will have certain requirements for the limited company mortgages; we'll review some here. Speaking with a company financing expert will help you focus on the eligibility requirements because every lender is different, and your application is special.

- Many lenders will want 25% minimum deposits, and the rentable amount may need to be much higher than the monthly **mortgage payment**.
- If the firm is an SPV, it might need to be expressly incorporated before buying, renting, or selling any property.
- Generally, the firm must be registered in England, Wales, or Scotland and must match the data kept by Companies House.
- The lender may have a cap on the number of directors or **shareholders** it would accept, and they may need to possess 100% of the company's shares jointly.
- The terms could range from five to thirty years. A leasehold property may be subject to a minimum term requirement set by the lender.
- You might need to be older than 21 to qualify for a limited company mortgage if there are age limits.
- Credit history can be a factor; the lender may reject applicants who recently declared bankruptcy or had property repossessed.

Conclusion:

Limited company mortgages can offer landlords considerable financial advantages. These mortgages can be a great choice for those wishing to advance their **real estate** assets because they provide access to more flexible financing terms from lenders and tax benefits that can help with portfolio management.

Landlords may ensure they use the most effective tax structures when employing a limited company structure by getting expert guidance from a tax expert and a specialised mortgage broker in London. **Contact Mountview Financial Solutions** for any financial solutions and guidance.

Original Source: https://mountviewfs.co.uk/understand-limited-company-mortgage/