

Managing your investment property

19 June 2025

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Renters' Rights Bill



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Why is the Renters' Rights Bill coming in?

- (Skipping over the political reasons)
- Non-compliant landlords
 - 1/5 of properties don't meet decent home standards
 - 93% of landlords do protect the deposit, but 40,000 tenants don't have a protected deposit.
- Security of tenure for tenants



Renters' Rights Bill – Timescale

When is the Bill coming into effect?

- Summer 2025? No!
- Report stage: 1st – 15th July 2025
- 2 more stages – 3rd reading and amendments
- Summer recess: 24th July – 1st September 2025
- Further recess: 18th September – 13th October 2025



Renters' Rights Bill – Timescale

When is the Bill coming into effect?

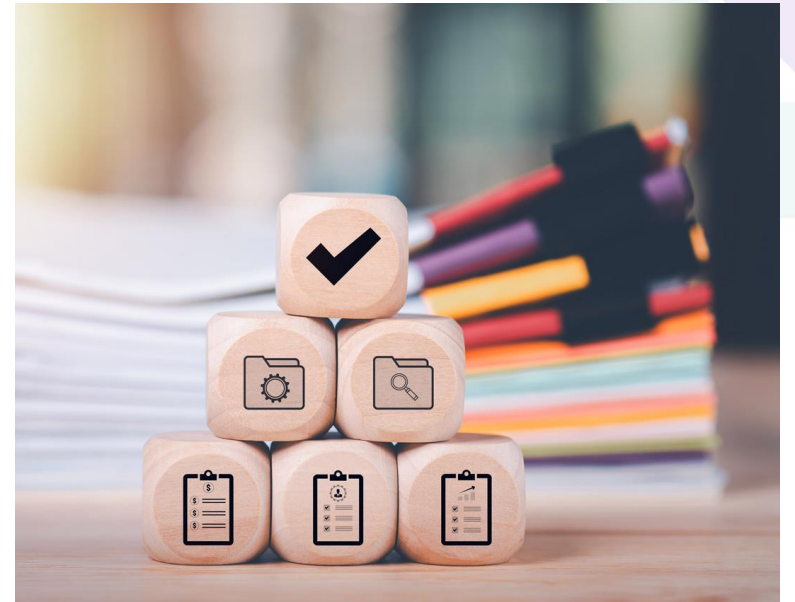
- Once Royal Assent obtained...
- Publication of regulations
- Commencement date announcement
- “Sufficient time” to be provided – 6 months? 12 months?



Are there any positives?

There are some widely welcomed aspects of the new Bill (believe it or not!)

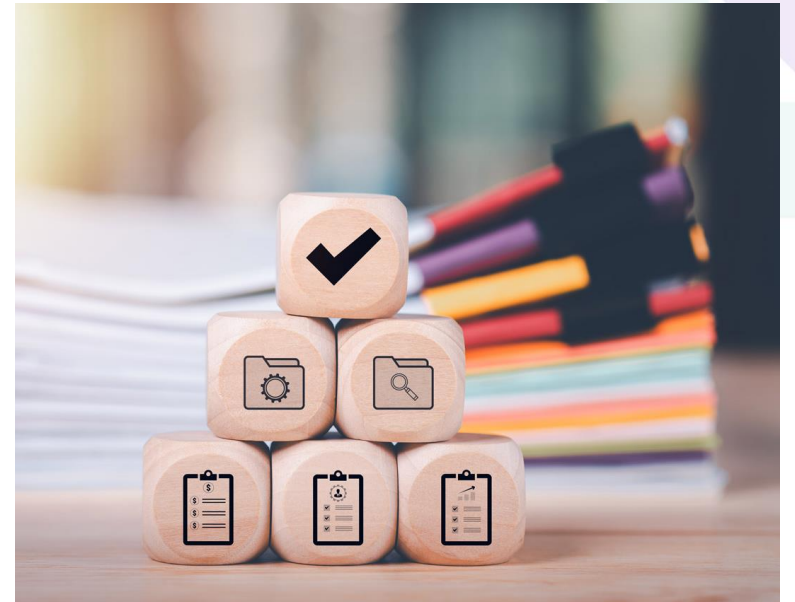
- Reform is long overdue
- Decent home standards – majority of landlords are happy to comply, and their properties are already compliant.
- PRS database – majority of landlords happy to comply with showing their compliance as they know that they are already compliant.
- Flush out non-compliant landlords which bring bad rep and may result in bringing up housing value across the board.
- Proposed updates to the justice system to improve timescales (though this is yet to be seen / actioned!). Potential digital justice system to come.



Are there any positives?

There are some widely welcomed aspects of the new Bill (believe it or not!)

- But also, the rejections...
 - The proposal for all Section 8 grounds to be discretionary.
 - Request for landlords to pay compensation to tenants if they give notice to move in or sell the property.



Student lets

Updates

- New Ground 4A, strict rules
 - Eg. notice must expire between June – September
 - Eg. can't enter into tenancies more than 6 months prior to possession being given (campaigns being pushed back – Jan/Feb)
- Advanced rent changes
 - Can demand UK based guarantor
 - Professional guarantor bodies
- No payments prior to all parties signing agreement – prohibited payment!



Student lets

Advice to non-purpose-built student let landlords

- Ground 4A
 - Only for full time students in higher education – evidence
 - Only for HMOs currently.
 - Avoid joint tenancies?
 - Update tenancy agreements to comply with Ground 4A



Case study

Facts:

- Landlord = Mrs Smith
- Tenants = Mr and Mrs Beckham
- Moving in May 2026 (assuming Renters' Rights Bill has come into effect)
- What can Mrs Smith do to put in the right protections before Mr and Mrs Beckham move in?



Case study

Prior protections (not an exhaustive list!)

- References
- UK based guarantor or similar
- Advanced rent? No more than the initial rent! No rent to be taken prior to everyone signing the agreement.
- Deposit? No more than 5 weeks
- Rental insurance? *
- A compliant and protective tenancy agreement (eg. cost protection on breach)
- Compliance at the ready!
- Rent set at market value?



*We are not recommending any insurance to be taken, and we do not affiliate or broker any insurance.

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Answer to query raised

At the seminar it was queried as to whether advanced payment of the initial rent could be taken.

8	Prohibition of rent in advance after lease entered into (except initial rent) In the 1988 Act, after section 4A (inserted by section 1 of this Act) insert— “4B Assured tenancy: prohibition of rent in advance (except initial rent) (1) Terms of an assured tenancy which provide for when rent is due are of no effect so far as they provide for rent to be due in advance. (2) But subsection (1) does not apply— (a) to an excepted tenancy, or (b) to terms of any other assured tenancy so far as they provide for initial rent to be due during the permitted pre-tenancy period.”
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- It remains our position that, as of the current drafting of the Bill, advanced rent cannot be taken **except for the initial rent** (there are some exceptions such as voluntary payments, but this is a separate topic).
- Initial rent = rent “payable for the first rent period, or any later rent period which ends during the initial 28-day period”.
- The initial rent must not be for more than the rent of a ‘rent period’.
- The initial rent is not to be taken before the tenancy agreement is entered into but can accept it during the ‘pre-tenancy period’. This is the period between the tenancy being entered into and “the day before the first day of the tenancy”.
- However, if the initial rent is not paid, arguably the tenant can still move into the property even though they will already be in arrears. It will be interesting to see what case law develops on this point.
- Holding deposits taken can currently be used towards the first month’s rent.

Case study

What next?

- They have moved in and all is going well.
- Mr and Mrs Beckham then request permission to have a dog in the property, by a written letter to Mrs Smith.
- The request says that Mr Beckham often works from home and when he doesn't work from home, he will be coming home at lunchtimes to let the dog out.
- The dog is trained.
- The dog is a medium sized golden retriever mix with a fluffy coat, called Barney. He is friendly and affectionate and loves to play fetch.
- What does Mrs Smith need to consider?



Case study

Dog...

- Any good reason to refuse? Reasonable grounds.
- Request made in writing by the tenants and included a description.
- 28 days to respond.
- Any further information sought (must be reasonable) and then 7 days to respond following provision of the further information by the tenants.
- Superior landlord? Apply for consent within 28 days of request and then consent/refusal within 7 days of superior landlord's response.
- Pet insurance or reimbursement for pet insurance
- 'No pets' advert
- Tenancy agreement – ready for breach



Case study

Oh no...

- Mrs Beckham loses her fashion job, and they haven't got any savings.
- Suddenly rent starts being paid late and sporadically.
- Then rent stops being paid
- Mrs Smith is an elderly lady and doesn't want the hassle, coupled with feeling very sorry for them and so doesn't do anything about it for a little while.
- She then speaks with trusty Willans to get some advice.
- What is Willans going to tell her?



Case study

Arrears

- Important to deal sooner rather than later!
- No more Section 21 so must pursue the rent arrears under Section 8 to recover possession.
- Ground 8 – mandatory ground for 3 months rent arrears – 4 weeks notice.
- Ground 10 – discretionary ground for any amount of arrears – 4 weeks notice.
- Ground 11 – discretionary ground for persistent late payment – 4 weeks notice.
- Timeline: 3 months arrears, 4 weeks notice, issue proceedings, get 14-day order, bailiffs.



Case study

Deposit

- Mrs Smith didn't protect the deposit when Mr and Mrs Beckham moved into the property.
- Can she still get a possession order?



Case study

Deposit

- Generally speaking...
- Proposed Bill will apply to all Grounds under Section 8, potentially except Ground 14 anti-social behaviour.
- Proposed that order can be made IF...
 - Deposit returned to Mr and Mrs Beckham prior to serving notice, or
 - Deposit claim has been dealt with, determined or settled.
- Other compliance requirements – yet to be seen.



Disclaimer

The purpose of this presentation is to give general information on the subject matter presented.

It is not intended to be a comprehensive analysis of the subject matter that is being discussed or presented in written or verbal form. The information is believed to be correct as of June 2025.

It is not intended to be a substitute for formal advice from the appropriate person in the organisation to a client under the terms of a suitable signed engagement letter.

Nick Latimer Crowe

Taxation of Property Investment

Where are we now?

Nick Latimer

Thursday 19 June 2025

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[∂] FRC Key Facts and Trends in the Accountancy Profession Figure 33: UK fee income of audit firms that audit PIEs – by fee income on audit (August 2023)

^Ω AIM Advisers Rankings (April 2024)



Agenda

What we will cover



Acquiring property



Holding property/changing structures



Selling property



Death and Succession, and IHT changes

Acquiring property

Getting the right ownership structure



Structuring the purchase

Personal ownership

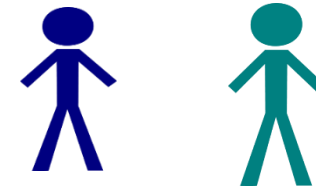
- Income tax on rental profits 20%/40%/45%.
- 20% relief for loan interest.
- Capital gains - 18%/24%.
- No extraction tax.



Note:

- Property partnerships
- Spouse
- SDLT + 5%
- Inheritance Tax 40%.

Company ownership



Rental Co Ltd

- Corporation Tax on any rental profits up to 25%.
- Relief for loan interest.
- Corporation Tax on capital gains up to 25%.
- Income Tax on extraction – dividend 8.75%, 33.75%, 39.35%.

Note:

- ATED
- SDLT + 5%
- Inheritance Tax 40%.

Why use a company?

- Cost benefit analysis needed.
- Retained profits and repayments of capital are charged to Corporation Tax and not Income Tax.
Relevant where
 - Property development activities,
 - Leverage
 - Reinvestment for growth (like a pension)
- Compliance effort and costs of running a Company + more complex.
- Other things to consider:
 - multiple share classes & involving family members
 - what does your Will say? You don't own property, you own shares.



Rental Portfolio – with leverage

- Example of Tax Position for rental income of £100,000 and mortgage interest of £50,000.

Assuming No Other Income	Personally Held	Corporate – Profits Retained	Corporate – Profits Extracted (Dividends)
Profit	100,000	100,000	100,000
Loan Interest	(50,000)	(50,000)	(50,000)
Tax on Profits	(17,432)	(12,500)	(12,500)
Tax on Extraction	N/A	N/A	(2,138)
Profits after Tax	32,568	37,500	35,362

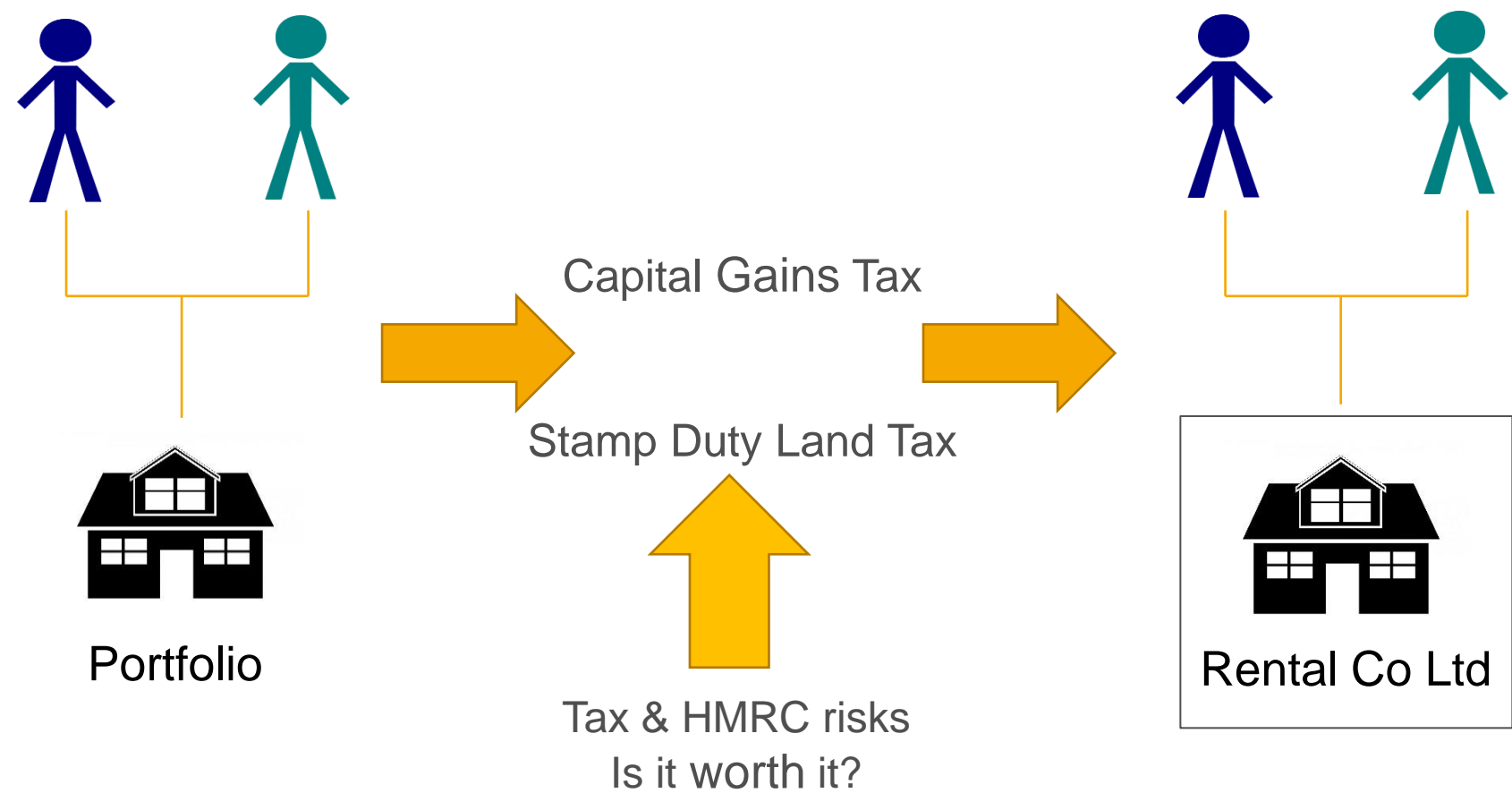
Assuming Other Income = £75,000	Personally Held	Corporate – Profits Retained	Corporate – Profits Extracted (Dividends)
Profit	100,000	100,000	100,000
Loan Interest	(50,000)	(50,000)	(50,000)
Tax on Profits	(37,521)	(12,500)	(12,500)
Tax on Extraction	N/A	N/A	(14,988)
Profits after Tax	12,479	37,500	22,513



SDLT considerations

Type of property	SDLT analysis
Second property outside of replacement home provisions	Residential with surcharge at 5% - married couples treated as one. Unmarried couples are not.
	Subsidiary dwellings of main residence can result in a surcharge.
	Consider impact of trust ownership
Property with commercial activities	Non-residential with no surcharge. AirBNB is not commercial (still occupation as a dwelling house)
6 dwellings or more	Non-residential deeming provision. Consider linked transactions?
Non-resident purchaser	Additional 2% surcharge
Dwelling house worth +£500k	Consider 17% ATED SDLT if corporate

Changing structure - beware



Holding property

Calculating profits and reporting to HMRC





Calculating Rental Profits

Income less expenses.

Allowable expenses.

Cash basis versus accrual basis.

Loan interest rules.



Reporting rental profits

- Income self-assessment tax return – but changes coming for those in “Making Tax Digital”
 - Tax payments: 31 Jan (or 31 Jan and 31 July).
-
- Company accounts and Corporation Tax returns.
 - Tax payments: 9 months and 1 day after accounting period end.
 - Quarterly Instalment Regime – for some.



Making Tax Digital “MTD” for ITSA – who is impacted?

MTD will apply to **all** persons carrying out

a Trade, Profession, Vocation (Self-employed)

Landlords



With TOTAL turnover of **more than £50,000** in a tax year (w.e.f. April 2026)

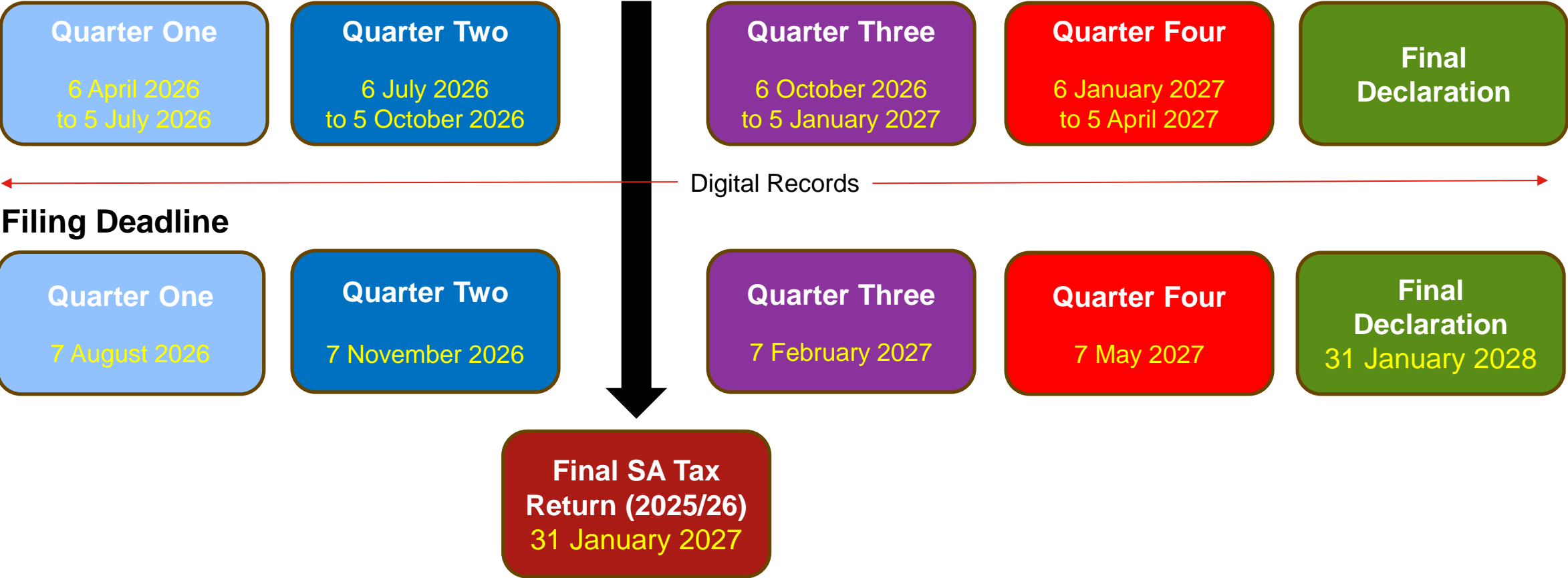
With TOTAL turnover of **more than £30,000** in a tax year (w.e.f. April 2027)



New filing requirements for 2026/27 (Income > £50,000)

(for business carried on immediately before 6 April 2026)

Quarterly Periods (or can make “Calendar Quarter Election”)



Selling property



Capital Gains Tax – The Basics

	2024/25 Up to 29 Oct	2024/24 From 30 Oct	2025/26	2026/27
Basic rate	10%	18%	18%	18%/TBC
Higher rate	20%	24%	24%	24%/TBC
Resi property basic	18%	18%	18%	18%/TBC
Resi property higher	24%	24%	24%	24%/TBC
Carried interest basic	18%	18%	32%	IT (top 34.1%)
Carried interest higher	28%	28%	32%	IT (top 34.1%)
BADR	10%	10%	14%	18%
Investors Relief	10%	10%	14%	18%

Other notes

- Date of disposal is normally exchange date
- Forestalling for CGT transactions exchanged not completed pre budget with tax avoidance motive.
- Annual exemption for CGT held at £3,000 per individual



Capital Gains Tax – Reporting Requirements

Applies to a disposal of residential property

Resi Prop return

- calculation submitted to HMRC within 60 days
- payment of tax within 60 days
- still declared on self assessment tax return if required to complete one
- overpayments only repaid after tax return submitted.

60 day return not required if:

- No capital gains tax due (e.g. losses or within annual exemption)
UNLESS non-resident in the UK



Death and Succession



Inheritance tax – the basics

What is Inheritance Tax?

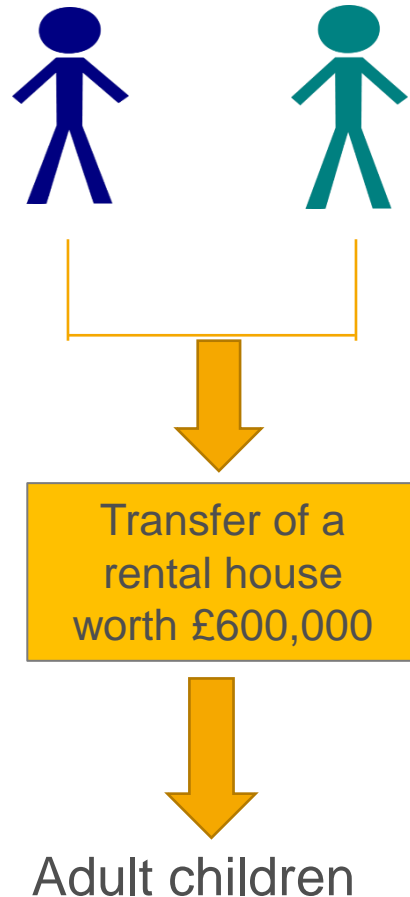
- Inheritance Tax – 40% on anything above the nil rate band.
- Nil Rate Band (NRB) – Typically £325,000 per person. Married - £650,000.
- Residence NRB – An extra £175,000 per person. Married - £350,000. But do you qualify? Lots of detail.

Total NRB + RNRB = £1,000,000 married couples' Estate with no tax.

- How will your assets pass? – Intestate or Will – Will planning.
- Spouse exemption – Defer the tax to the second death.
- Objective – to reduce the Estate being charged to Inheritance Tax.



Gifting assets - example



Married couple decide to transfer a house they rent out to their adult children.

Practical implications

- Loss of the income from the property.
- Loss of control over the asset.

Capital Gains Tax

- 24% tax on the growth in the property value.

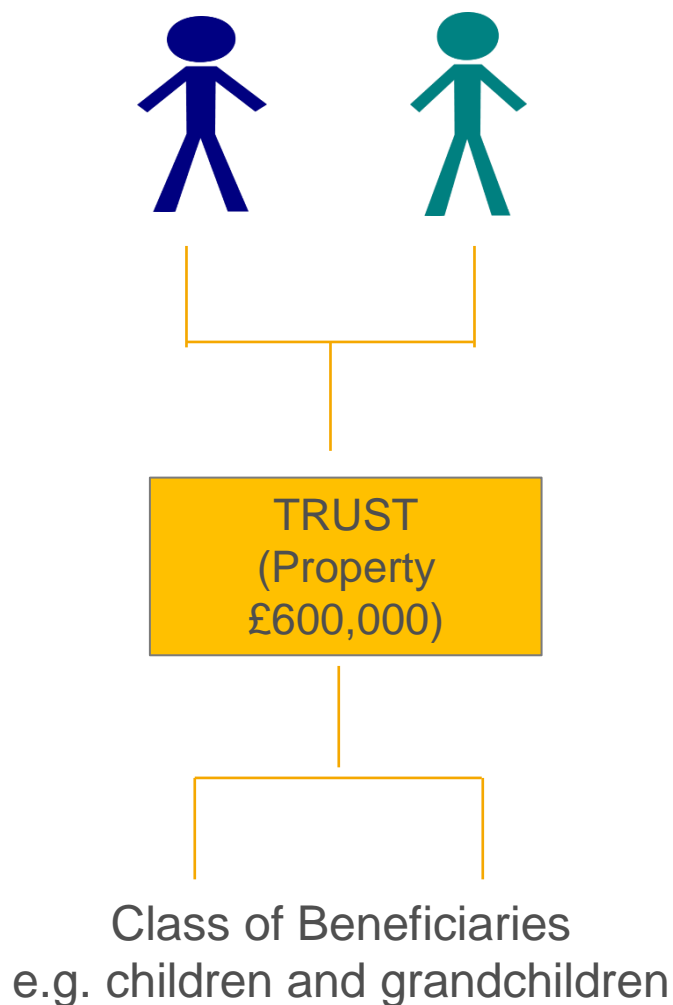
Inheritance Tax implication

- Survive the gift by 7 years – IHT saving £600,000 at 40% = £240,000.

Stamp Duty Land Tax

- None (so long as no mortgage).

Gifting assets – using a trust



Practical Implication

- Loss of income.
- Still keep control over the asset.

Capital Gains Tax

- None – but the tax is deferred until a sale of the property.

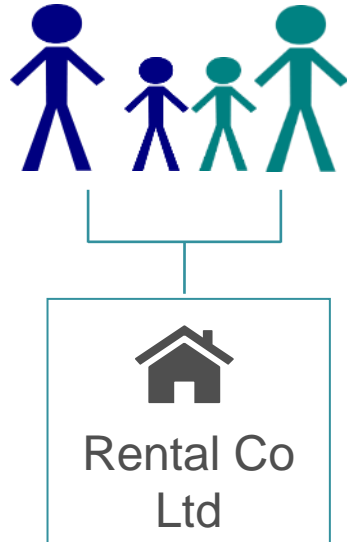
Inheritance Tax

- Survive the gift by 7 years – IHT saving
- £600,000 at 40% = £240,000.
- Value is <£650,000 (the NRB).
- Trust 10 year charges & exit charges to consider (6%).

Stamp Duty Land Tax

None (so long as no mortgage).

Family Investment Companies



Who could own the shares?

- Involve the wider family.
- Children and grandchildren.
- Family Trust.
- Set up the structure from the beginning.

Consider:

- Dividends.
- Inheritance Tax.

Changes planned for IHT



Business relief for property assets

The basics

Property used in a trading company

- 100% relief if held in a qualifying company.
- 50% if held personally and used by a qualifying company.

Property businesses

- Business that is wholly or mainly “making or holding investments” cannot qualify (property investment, furnished holiday lets).
- Business that can qualify (fact/case specific):
 - those developing property for sale (property developers)
 - hotels, care homes, nightclubs
 - hybrid businesses (mainly trading, with some property investment) e.g. a farm with rental property, caravan parks and livery businesses.

Excepted assets

- Assets not used in the qualifying business – either
 - not used wholly or mainly for the purposes of the business throughout the last two years or for such shorter period as the asset was owned (past use)
 - not required at the time of the transfer for future use wholly or mainly for the purposes of the business (future use).
- Surplus cash is a common target (best to minute purpose for holding).

Agricultural property

- Not available on empty/derelict buildings, or buildings not used for agricultural purposes (consider business relief).
- Can include farmhouses (with a discount).



For events after April 2026

Changes proposed to Business & Agricultural Relief

01

£1m cap & AIM

Non-AIM

- £1m cap on full relief applies to combined agricultural/business property relief.
- Over £1m relief is restricted by 50%.

AIM

- Cap does not apply - relief restricted to 50%.

02

Not transferable

£1m allowance is not transferable, so each individual needs to own qualifying assets for requisite period prior to chargeable event (e.g. death).

03

Refreshes

As with the nil rate band, the relief will “refresh” every 7 years.

I.e. a gift on 5 April 2019 of £1m of qualifying assets will not use the allowance on a gift made on 6 April 2026.

04

Apportioned

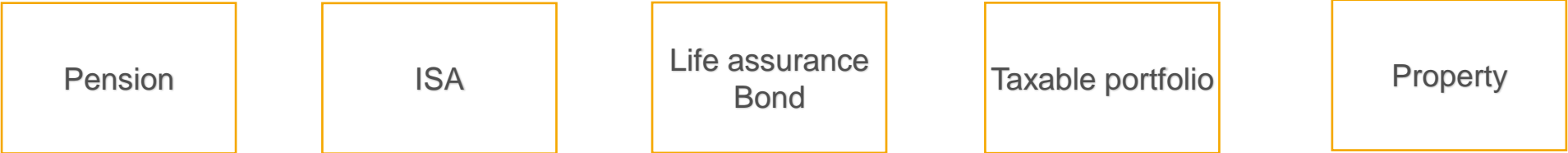
Allowance is apportioned between qualifying assets held by the estate, and in chronological order.

Note: the new rules do NOT apply to lifetime transfers before 30 October 2024 which become chargeable on a death post 6 April 2026



Other retirement funding – tax efficiency

Which pots do you have?



Contribution	Tax relief	No Relief	No relief	No Relief	No relief
Limits	Yes	Yes	No	No	No
Growth	Tax free	Tax free	Tax free	Taxable	Taxable - CGT
Withdrawal	Taxable (75%)	Tax free	Taxable	Taxable	Taxable
IHT	Changes...	Yes (usually)	Yes	Yes	Yes

Note: Financial advice needs to be taken.
This shows the tax position – the financial risk needs to be considered.



Pension changes announced in the Budget

Private pension funds no longer exempt from Inheritance Tax (IHT) from April 2027

- Currently forms key part of estate planning strategy for many.
- Currently most pensions are held in trust and therefore nominations are made to make your legacy wishes to appointed beneficiaries clear.
- It will apply equally to UK registered schemes and qualifying non-UK pension schemes (QNUPS).
- Could impact availability of residence nil rate band (estates +£2m)

Death pre-75

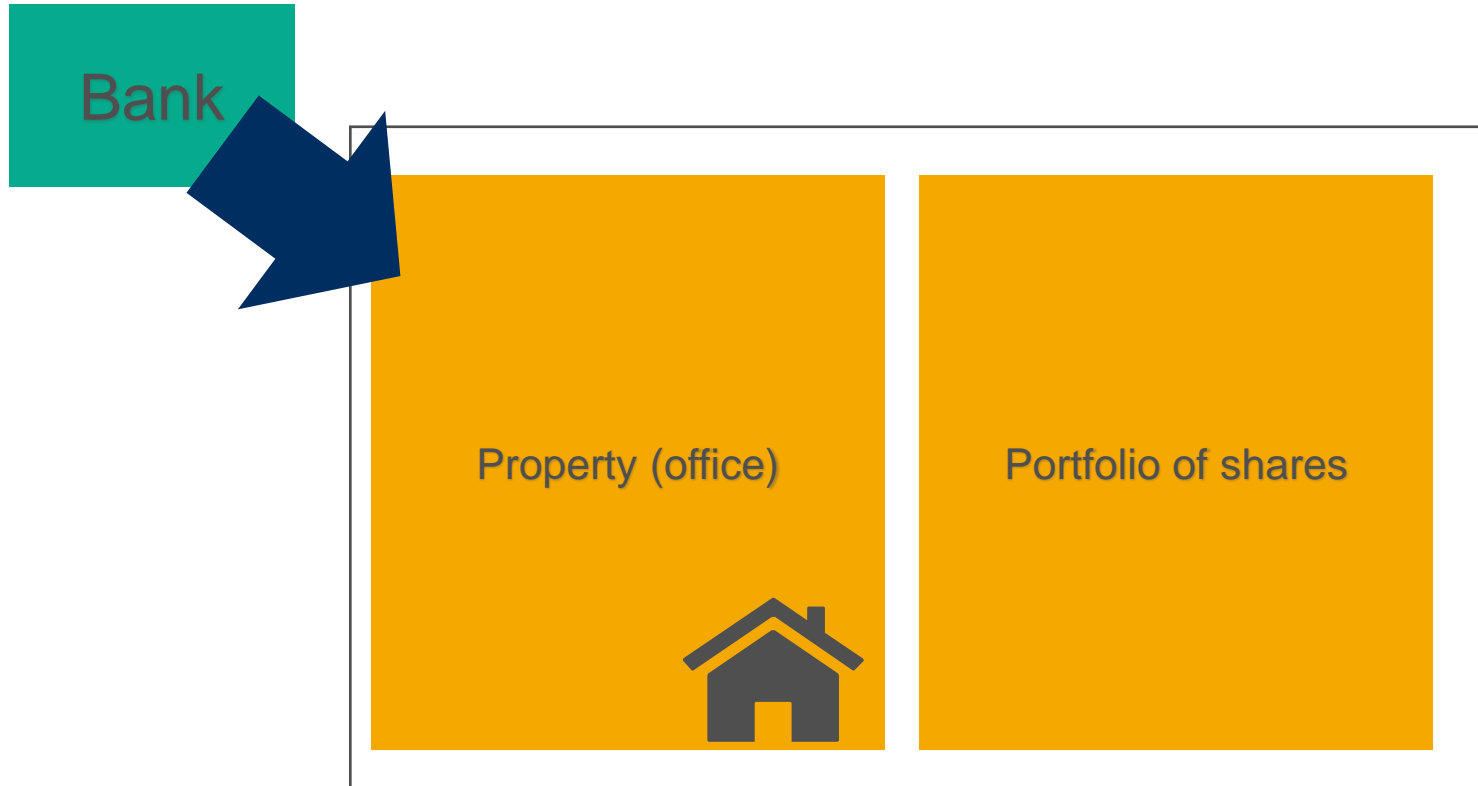
- Beneficiaries can arrange withdrawals without income tax.
- If subject to inheritance tax marginal rate max 40%.

Death post-75

- Withdrawals by beneficiaries subject to income tax
- If subject to inheritance tax marginal rate:
 - 40% IHT ($£100 - £40 = £60$)
 - Top rate taxpayer 45% ($£60 - £27 = £33$)
 - £33 from £100 = marginal rate of 67%



Pension planning - property



To consider:

- Liquidity – taking pension benefits
- How is the IHT to be paid?
- Who should inherit the pension?
- What is the bank's position?
 - Interest
 - Capital
 - Repayment terms



Concluding thoughts

1	Acquiring property <ul style="list-style-type: none">- Income Tax vs Corporation Tax- Dividend extraction- Cost benefit analysis
2	Holding property <ul style="list-style-type: none">- Tax reporting – including MTD from April 2026
3	Selling property <ul style="list-style-type: none">- Calculating Capital Gains Tax- Private Residence Relief (PRR) – main residence relief- 60 day reporting
4	Death <ul style="list-style-type: none">- Inheritance Tax, and impact of changes- Will needed- Planning ideas- Gifting, Trusts & FICs



Key resources

- <https://www.crowe.com/uk/insights/investing-residential-property>
- <https://www.crowe.com/uk/insights/inheritance-tax-hub>
- <https://www.crowe.com/uk/insights/iht-and-succession-planning-for-property>
- <https://www.crowe.com/uk/insights/inheritance-tax-planning-for-residential-property>
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