

Investment Property

Buy-to-let isn't dead...but tread carefully



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The past few years have changed the economics of buy-to-let. Higher interest rates, tighter affordability tests and the finance cost restriction under Section 24 mean the old “interest-only mortgage plus long-term capital growth” model no longer fits every landlord. But buy-to-let is not dead. It just demands sharper analysis, better structures, and a clear plan for income, cashflow and exit.

At a high level, individuals now receive only a 20% tax credit for qualifying mortgage interest, rather than deducting the full cost. That hurts higher and additional rate taxpayers with leveraged residential portfolios. At the same time, company ownership brings its own pros and cons: corporation tax at 19% for small profits, rising to 25% for larger profits, and extra layers when extracting cash. Commercial property and mixed-use assets are different again – they are not caught by Section 24, and mixed-use purchases benefit from the non-residential Stamp Duty Land Tax (SDLT) bands.

Market context still matters. Private rents have risen quickly – the ONS recorded a 9.1% annual increase to November 2024 – but higher rents do not automatically repair stressed interest coverage. Yield, void assumptions, maintenance, and finance terms all pull the numbers in different directions ([ONS, 2024](#)). The right structure depends on what you own, how you fund it, your wider income, and your long-term aims. Below, we outline the decisions landlords should consider before buying, refinancing or incorporating.

What changed – and why structure matters for buy-to-let

Section 24 restricts individual landlords' mortgage interest relief to a basic-rate tax credit. That means the taxable profit you report can be higher than your actual cash profit, which can push you into a higher band and reduce allowances. A company, by contrast, deducts finance costs in full when calculating corporation tax. However, there can be tax when you take profits out as salary or dividends, and lenders may price limited-company loans differently. There is no one-size-fits-all answer – build a realistic five-year cashflow for both routes before deciding.

When a company can make sense

Limited companies can work where gearing is significant, personal income is already in the higher bands, and profits will be retained to fund growth or capital repayments. Be honest about how you will take money out.

- Retained profits: Useful when reinvesting
- Debt service: Stronger coverage if interest is fully deductible at company level
- Scaling plans: Easier to separate business risks from personal affairs

Remember the corporation tax bands for the 2025/26 year: 19% for profits up to £50,000, 25% above £250,000, with marginal relief in between.

When holding personally still works

If you have modest borrowing, basic-rate income, or a plan to reduce mortgages over time, holding property in your own name can remain effective. Simpler compliance, no company admin and lower running costs can offset the Section 24 drag. Look at both the tax and the banking angles:

- Rate options: Wider choice, some lenders still price personal BTLs keenly
- Exit timing: Flexible disposals without company wind-up steps
- Admin: Lower ongoing costs if you keep it simple.

Commercial property and mixed-use opportunities

Commercial lets and mixed-use properties (for example, a shop with flats above on a single title) are not within Section 24. That can improve interest coverage straight away. Mixed-use purchases also benefit from non-residential SDLT rates – 0% to £150,000, 2% on the next £100,000, and 5% above that ([HMRC, 2025](#)). The valuations, leases and repair obligations are different from residential – but for the right investor, yields and net cashflow can be stronger.

Incorporation: The mechanics and the traps

Transferring a personally held portfolio into a company needs careful planning. You are selling the properties to your company. That triggers:

- Capital gains tax: Potential charge, though an exemption - incorporation relief - may apply in specific cases
- SDLT: Usually payable unless relief applies – work through mixed-use positions with care
- Finance: Full remortgage lenders will underwrite the company and any personal guarantees.

You should model the tax on transfer, the new loan terms, the ongoing tax on profits, and your extraction plan. If the numbers still stack, incorporation can put you back on a sustainable footing.

Finance and cashflow under higher rates

Stress tests have tightened and many lenders want stronger interest coverage. Do not rely on headline yields – build a realistic annual budget:

- Maintenance and compliance: Set aside 10-15% of rent for repairs, certificates and safety works
- Voids and arrears: Budget a sensible buffer based on local market evidence
- Capex: Plan major works, such as roof, windows, energy upgrades, and refits

If rates fall over the cycle, lock gains in sensibly. If they do not, aim to reduce leverage steadily and focus on assets with strong tenant demand.

Exit planning and capital gains tax

Tax on residential property gains for individuals is 18% for basic-rate and 24% for higher/additional-rate bands on the portion of the gain above available allowances. Those residential rates remain in force for 2025/26 ([HMRC, 2024](#)). Companies pay corporation tax on chargeable gains, and there is a second layer when you distribute proceeds. Plan sales around loan end-dates, EPC improvements, and tenant break points. Consider staggering disposals to manage bands and reliefs. If your long-term plan is to sell the company, track base costs, index of refurb spend, and loan settlement profiles carefully.

Practical steps before you buy, refinance or restructure

- Run the maths both ways: Personal vs company model, five years of rent, finance costs, tax and extraction
- Stress test: Higher rates and voids rerun cashflows at +1–2 percentage points and two months' vacancy
- Use asset mix: Blend residential with commercial to improve net cashflow and SDLT outcomes where suitable
- Think long term: Define your exit sale, hold-and-repay, or transfer to next generation

How we can help you make buy-to-let work

Buy-to-let can still deliver steady, low-drama returns – but only when the structure, finance and exit plan fit your goals. Our job is to help you decide whether to hold personally, incorporate, or switch into commercial or mixed-use assets, then execute cleanly. We start with a clear fact-find and a forward model of your income, tax and cashflow. That includes stress-testing interest rates, mapping SDLT on any purchases or transfers, and estimating capital gains tax on disposals. If incorporation is on the table, we will check eligibility for reliefs, quantify SDLT, and liaise with lenders and solicitors so timelines stay tight.

We also review portfolio hygiene: debt terms, repair provision, insurance, compliance and energy performance. With rents having risen strongly over the last year, some landlords now have room to reduce leverage or upgrade weaker stock rather than chase the next purchase ([ONS, 2024](#)). Others may be better served by consolidating into a slimmer, stronger set of assets. Either way, your plan should be deliberate. A measured approach protects your cashflow, reduces risk, and improves your return on time as well as capital.

If you would like a no-obligation review of your portfolio – personal or company – we are ready to help. Talk to us today, you can contact us on 020 7870 9050 or visit our website at www.rpgcc.co.uk.



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