

# NEWSLETTER - Feb'21

## WELCOME

"With each unique client we challenge ourselves to ensure you achieve strategic growth within your organisation"

We achieve this with emphasis on  
clear and concise reporting

HELPING YOU MAKE THE CONNECTION BETWEEN  
SALES, FINANCE & PROFITS

**F D** OUTSOURCE

more than accountants

# Getting Your Company to Buy Your Home

*You're moving to take advantage of the stamp duty holiday. You already have a mortgage offer but as your company has the funds would it be more tax efficient for it to buy your new home?*

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## Company Home Ownership

Using your company to buy your home was once relatively tax efficient, despite it counting as a taxable benefit in kind. Generally, the tax and Class 1A NI liabilities were modest. This meant company ownership of homes became sufficiently popular that the government introduced higher rates of stamp duty land tax (SDLT) etc. and a new tax, the annual tax on enveloped dwellings (ATED), to dissuade the practice.

**Tip:** The SDLT holiday, which is due to end on 31 March 2021, applies to company as well as personal purchases of homes of up to £500,000.

## SDLT and ATED

If your company buys a home for you, a higher rate of SDLT of 15% applies if the property costs more than £500,000. On top of this your company will have to pay the ATED for any year in which it owns a dwelling worth £500,000 or more. The ATED starts at £3,700 (for 2020/21) and goes up to an eye-watering £236,250 for very high value properties.

## Capital gains tax

Another significant disadvantage to your company buying and owning your home is that when it's sold the capital gains tax (CGT) private residence relief won't apply. That means your company will have to pay corporation tax (CT) on the full amount of any profit (capital gain) it makes.

**Tip:** A special higher CT rate of 28%, instead of the usual 19%, applies to the gains made by companies from the sale or transfer of residential properties.

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## An alternative to Company Ownership

Unless there are non-tax factors at stake, or the property is unlikely to ever reach the value where the ATED applies, getting your company to buy your home is unlikely to be tax efficient. However, there's an alternative way you can use your company's money to help with the purchase of a new home.

**Tip:** Instead of borrowing from a high street lender your company can lend you the money interest free.

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### Tax Costs

The loan counts as a benefit in kind but the tax is relatively modest. The amount on which you'll be charged is 2.25% of the average loan balance over the tax year. So, if the balance is, say, £250,000 you'll be taxed on £5,624. As you repay the loan the amount on which you're taxed reduces.

**Trap:** In addition to the tax on the benefit in kind there's a one-off tax charge for your company. It's equal to 32.5% of the loan. However, it's a temporary tax which HMRC will refund each year that the balance of the loan reduces. At current rates the interest your company would lose from having to pay this bill would be minimal.

**Tip:** If you combine a mortgage with a loan from your company, consider making the mortgage interest only at first. That will reduce the personal tax for you and accelerate the refund for the company's temporary tax charge.

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*If your company buys your home, higher rates of stamp duty land tax etc. and the annual tax on enveloped dwellings can apply. Plus, there's corporation tax to pay on any gain when the property is sold. By contrast, if your company lends you the money to make the purchase the tax charges are relatively low. The loan can be interest free.*

## To Our Stakeholders

FD Outsource is committed to working directly with Sales Driven MD's within their specialised sector to ensure they achieve continual strategic growth.

The Strategic Growth can be measured against the business plan using quantifiable financial measures.

These financial measures can be within Sales/Revenue, Gross Margins, Cashflow, Profitability and Net Worth.

The milestones set in the business plan will be monitored and reviewed at regular intervals through the business life cycle with continual focus on succession planning with the management team.

Our internal core values can be seen within our 5c Guarantee provided to all clients. These are:

- Communication
- Creativity
- Coherence
- Commitment
- Conclusion

## Analyse , Identify and Plan

Our priority is that cash flow doesn't become a Barrier to Growth and business profits be converted in to personal wealth.

Sincerely

A handwritten signature in white ink that reads 'Mark Terrington'.

Mark Terrington  
Founder & CEO

WE WORK WITH SALES DRIVEN  
BUSINESS OWNERS

HELPING YOU MAKE THE CONNECTION  
BETWEEN  
SALES, FINANCE AND PROFITS



**OUTSOURCE**

more than accountants

For a Free discussion on how you can  
make the connection and convert  
business profit in to personal wealth.  
Contact us today

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