

101 Property Tax Tips

2026/27

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About This Guide

All UK property owners, whether individuals, companies, trusts or personal representatives of an estate, residents or non-residents, will be subject to a variety of taxes on their property at some stage of ownership. However, with careful planning, there are legitimate ways to significantly reduce or, in some cases, mitigate the overall tax burden.

This easy-to-read guide reveals 101 tax saving tips and strategies currently available to help ensure that the minimal property-related tax is payable, regardless of whether the reader is a landlord, a property developer or owns the property as a main residence.

In addition to tax considerations, landlords should be mindful of ongoing regulatory changes. In particular, the Renters' Rights Act 2026 introduced significant reforms to the private rental sector, including changes to tenancy structures and compliance obligations. While this guide focuses on taxation, such legal developments may have indirect tax and financial implications and should be considered as part of a wider property strategy. It is important to emphasise that professional advice should always be sought when engaging in any form of tax planning.

Due to page constraints, this guide focuses on selected key areas where tax planning opportunities arise. More 'tax tips' can be found in the monthly newsletters of Tax Insider and Property Tax Insider and on the Tax Insider website.

The text includes measures contained in the Finance Act 2026.

Chapter 1.

Different Ways Of Owning Property

1. Private Landlord
2. Property Partnerships
3. Corporate Or LLP Landlord
4. 'Special Purpose Vehicle' Companies
5. Management Company
6. Trader Or Investor?
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1. Private Landlord

The vast majority of UK properties are privately owned by individuals, with many purchased as investments rather than as their main residence.

Private investor landlords are generally taxed on rental income received after deducting allowable expenses incurred on a fiscal year basis. Capital gains tax may be due on the sale of property at a profit that is not a main residence, subject to any applicable reliefs (see Tip 55). Additionally, inheritance tax may also apply on the value of the property held at the date of death (see Chapter 9). Stamp duty land tax (land and buildings transaction tax in Scotland, land transaction tax in Wales) may also be payable on the purchase of the property (see Tip 96). VAT is generally not applicable for standard residential letting, but may be due for commercial properties or if the landlord is trading as a property developer (see Tips 100 and 101).

If the landlord has no other income, the annual personal allowance is deducted from any profit made on rental income. However, should there be other income, the personal allowance either may not be available or be restricted such that any rental profit will be taxed at the landlord's marginal tax rate. When an individual's total taxable income including letting profit exceeds £100,000, the annual personal allowance is gradually reduced by £1 for every £2 of additional income. Therefore, once total income reaches £125,140, the tax-free personal allowance is lost completely, and tax will be payable at the additional rate of 45%. This reduction affects income tax only; capital gains being taxed separately.

Individual landlords can claim a 'property allowance', which removes the liability to tax should gross rental income be less than £1,000 (see Tip 35). This allowance can replace actual expenses if using the allowance produces a lower taxable profit. Such a situation will be relevant where expenses are

less than £1,000. However, where expenses exceed £1,000, the actual expenses incurred should be deducted as this will maximise tax relief. Similarly, actual expenses incurred should be deducted where this produces a loss, so as to preserve that loss.

Note: that income tax rates for property income will increase by two percentage points from 6 April 2027, rising to 22%, 42% and 47% for basic, higher and additional rate taxpayers respectively.

Depending on the level of letting profit, being a sole investor could be more expensive than joint investor ownership. A sole investor will be taxed at their marginal tax rate alone whereas each owner's profit share is split under joint ownership, being taxed at their respective marginal rate. For example, should a property be jointly owned 50:50 with one owner paying tax at the basic rate and the other charged at higher or additional rates, the total tax bill will be reduced by 50% of the difference between the tax due at the higher and lower rates (see Tips 10 and 11).

Further tax reduction is possible should one owner be a non-taxpayer, as the full amount of that individual's personal allowance will be available for offset.

The income tax charge follows the underlying beneficial interest, such that, for example, should one joint owner own 90% of the property and the other 10%, they will be taxed on income received based on those percentages.

However, the default split of joint ownership between spouses and civil partners is 50:50. If it is more income tax efficient for the split to be different in these circumstances, then the profit may be divided according to the underlying ownership of the property, once HMRC has been notified via the submission of Form 17, which can be done online (see Tip 9).

The following example shows the tax position should a property be owned jointly but one spouse is taxed at a higher tax rate than the other.

Private Landlord

Joanne and Robert are married and jointly own a portfolio of rental properties 50:50.

For the year 2026/27, each has other income such that Joanne is a 20% basic rate taxpayer while Robert is a 45% additional rate taxpayer.

Total net rental profit is £825 per month, i.e., £9,900 per year = £4,950 each.

Joanne: Tax liability of £990 (£4,950 @ 20%).

Robert: Tax liability of £2,227.50 (£4,950 @ 45%).

If Robert owned the properties as a sole investor, the tax liability would be £4,455; by owning the properties jointly with Joanne, there is a tax saving of £1,237.50.

This saving could be increased should the properties be placed solely in Joanne's name (assuming that the taxable profit plus other income does not take her into the higher rate tax band).

Should Robert not want to relinquish full ownership, he could give Joanne say, 95%, submit a Form 17 to HMRC and be taxed on the underlying percentage of 5% at higher rates (see Tip 9).

2. Property Partnerships

Partnerships have a unique tax structure as they do not pay income tax or capital gains tax (CGT). Instead, the income or loss, or gain incurred from the sale of a partnership asset, is passed through to the individual partners, who report it on their personal tax returns.

For a 'trading' partnership to exist, there needs to be a degree of organisation with a view to making a profit (similar to that required for an ordinary commercial business). However, unlike a limited company or a limited liability partnership, a general partnership has no legal identity distinct from its partners. As such, each partner becomes jointly and severally liable for the partnership's debts – therefore, a partnership agreement is recommended.

If the partnership is trading (e.g., buying property to refurbish and sell), each partner is treated as carrying on a business. In this case, profits are taxed as self-employed trading income, which may also make the partners liable for National Insurance contributions. By contrast, partnerships that own property purely for rental income are treated as property investment partnerships, with profits or losses being declared on each individual partner's personal tax return. A separate partnership tax return is required to be submitted.

Profits and losses must be shared according to the ratios agreed when the partnership is created. Partners cannot first calculate the total annual profit and then adjust the allocation to reduce their overall tax liability; the agreed profit-sharing ratios must be followed.

A CGT charge may arise when individual partners' interests in the partnership property change (e.g., if they retire or sell part of their share). Their share of the partnership is reduced as they are deemed to have

disposed of some or all of their interest in the property. However, HMRC's Statement of Practice D12 allows transfers between unconnected partners without triggering CGT, provided no money changes hands and the property has not been revalued. Business asset disposal relief (see Tip 59) may be available on the disposal should the partnership use the property for business purposes, for example, as a veterinary practice. Residential investment property does not qualify for this relief.

Note:

Under Making Tax Digital for income tax, partnerships are not mandated to the system as yet (see Tip 14).

3. Corporate Or LLP Landlord

Company limited by shares

There are different types of companies but the one most commonly used for property tax planning is the private company limited by shares. Shareholders own the company and the company is administered by directors (who may also be shareholders). There are advantages and disadvantages of a company owning property. However, one key advantage of a company structure is that profits are subject to corporation tax, currently 25% for profits above £250,000 and 19% for profits under £50,000, with a tapered rate in between. For individuals who would otherwise pay higher rate (40%) or additional rate (45%) income tax, owning property through a company can sometimes be more tax efficient. However, companies do not benefit from a personal allowance, and extracting profits as dividends can create additional tax liabilities.

Where there is a personal capital gain arising on the sale of a UK residential property, the tax thereon must be paid within 60 days of completion of the sale (see Tip 56). In contrast, a capital gain made by a company is included in the calculation of annual profit or loss with any tax being payable nine months and one day after the accounting period end.

Another key difference concerns mortgage interest relief. For individuals, interest on loans for residential property is restricted to a 20% tax credit (basic rate), rather than a full deduction from rental profits (see Tip 21). These rules do not apply to interest on commercial property loans where deduction of mortgage interest is allowed in full.

Other relevant points:

- A limited company is a separate legal entity from its shareholders.