tax insider
ANNUAL REPORT SERIES

EXIT AND SUCCESSION
TAX PLANNING FOR LANDLORDS

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JULY 26

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'Exit and Succession Tax Planning for Landlords' – First published July 2026.

About Nick Wright

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Nick specialises in complex corporate tax matters, including:

- transactions tax and company reconstructions;
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Nick is a regular contributor to various tax journals including Taxation magazine, Tax Journal, Tax Adviser, Tax Insider and ICAEW Taxline, sharing his expertise with the broader professional community. Nick is also contributing author of Tolley Tax Planning, Finance Act Handbook and the British Tax Review publications.

Nick presents regular lectures to fellow professionals through various CPD providers, including 2020 Innovation, MBL, CPDStore and a variety of CIOT and ICAEW branches.

Nick is host of 'The Tax Hour', a podcast dedicated to sharing expert tax advice from the industry's leading specialists.

About this guide

A generation of landlords who built their portfolios during the buy-to-let expansion of the 2000s is now reaching the point of asking not how to acquire the next property but how to leave the ones they have. That question divides into two: realising value and taking cash (exit) versus passing the portfolio to the next generation (succession), and the two pull the tax analysis in opposite directions. After a decade of measures aimed squarely at landlords, the decision has become both more pressing and more expensive to get wrong.

This report sets out how the exit and succession of a UK property portfolio are taxed, and how the structure should be matched to the owner's objective. It examines the five ways a portfolio is commonly held, the reliefs each opens or forecloses, the routes available on a sale, a gift, a trust and a death, the family investment company, the demerger techniques used to divide a portfolio between a family and the anti-avoidance rules that police all of it, with worked examples and practical guidance throughout.

One distinction governs almost everything that follows: a property letting activity may be a business, but it is not a trade. That single point determines which reliefs are available. It closes the reliefs that depend on trading, e.g., business asset disposal relief, gift hold-over relief, business property relief on death, the substantial shareholdings exemption and the statutory demerger route, while leaving open those that turn only on a business, or on an immediately chargeable transfer, e.g., incorporation relief, held over into a relevant property trust and the capital reduction demerger.

The analysis ranges across the whole of the tax code, capital gains tax, corporation tax, income tax and the settlements legislation, inheritance tax and the stamp taxes across the UK jurisdictions, together with the recent and announced changes that bear on decisions taken now, including the dedicated property income rates from April 2027.

The report's central conclusion is that there is no universal answer, only a disciplined matching of structure to objective. A portfolio destined for sale is best held simply; one destined for the next generation is often best held in a company. Above all, incorporation is a succession strategy and not an exit strategy, and the most expensive error in this field is to confuse the two.

1 Introduction

1.1 What exit and succession planning means for the landlord client

Every property portfolio eventually reaches a point at which the owner stops asking how to grow it and starts asking how to leave it. That question divides into two: the first is exit, where the owner wants to realise the value built up in the portfolio, and the second is succession, where the owner wants the portfolio, or its value, to pass to the next generation, often while retaining a measure of control and income in the meantime. The two are not mutually exclusive; a landlord may sell part of a portfolio for liquidity while passing the rest down, but the tax analysis pulls in different directions and conflating them should be avoided.

These questions are more pressing now than at any time in the last two decades. The landlord population is ageing, and a great many of the portfolios built up in the buy-to-let expansion of the 2000s are now held by owners in their sixties and seventies who are actively contemplating retirement or succession. At the same time, the fiscal environment for landlords has tightened relentlessly, with the restriction of finance cost relief, the surcharges on residential acquisitions, the abolition of the furnished holiday lettings regime and, most recently, a set of measures in the 2025 Budget that will tax property income at rates two percentage points above those applied to earned income from April 2027. The cumulative effect is that more landlords are reviewing whether to stay in, restructure or get out, and the adviser is increasingly asked not, 'how do I buy the next property?' but 'how do I get out of these, and what happens when I am gone?'

The structure in which a portfolio is currently held is the single most important determinant of the answer. A decision taken years ago (to buy personally, to bring in a spouse, to operate as a partnership or to incorporate) constrains and dictates the exit and succession options that follow. It is therefore necessary to first establish what the client actually has, how it is owned and what latent tax sits within the structure, before any planning can begin.

Throughout this report is a critical point: a property letting activity may be a business, but it is not a trade.

A trade is always a business, but a business need not be a trade, and a property letting activity will only very rarely amount to a trade (the boundary between letting and trading, and the cases that police it, are examined in Section 2). This is what determines the availability of almost every relief a landlord might hope to use, because the reliefs are split between those that require a *trade* and those that require only a *business*. Business asset disposal relief, gift hold-over relief under TCGA 1992, s 165 and business property relief for inheritance tax all require a trade, and are therefore generally denied to a landlord, whereas incorporation relief under TCGA 1992, s 162 requires only a *business* and hold-over relief under TCGA 1992 s 260 requires neither (it turns instead on the transfer being immediately chargeable to inheritance tax). The trade or business distinction, in short, closes three doors and leaves two ajar.

As for whether a letting activity is a *business* at all is a crucial question and depends on how the property is held. Where the portfolio is held by a company, the point is effectively settled in the landlord's favour, because in *American Leaf Blending Co Sdn Bhd v Director-General of Inland Revenue* [1979] AC 676 the Privy Council held that for a company formed to make profits, any gainful use to which it puts its assets prima facie amounts to carrying on a business, so that letting by a company is a business almost as a matter of course. Where the portfolio is held by an individual (or by individuals jointly), there is no such presumption and the mere receipt of rents creates no inference of a business. The activity will only qualify if the owner's involvement is substantial enough, the test applied in *Elizabeth Moyne Ramsay v HMRC* [2013] UKUT 226 (TCC). In practice, whether a property portfolio amounts to a business rarely troubles the incorporated landlord, but it is often critical to the unincorporated landlord in considering their planning options, in particular, on incorporation itself, where it governs whether the gain can be rolled over at all (see Section 3). Identifying which side of each of these lines a landlord falls is the foundation of everything that follows, and the report returns to both repeatedly.

This report assumes a working knowledge of the principal taxes and does not rehearse elementary points. It addresses the position of UK-resident individuals and companies holding UK property; the additional complications that arise for non-resident owners and offshore structures are noted only where they bear directly on an exit or succession decision.

1.2 Recent legislative changes that shape the choices

A landlord's present structure is rarely the product of a single clean decision. It is usually the accumulated residue of responses to a decade of legislative change, and a brief summary of that history explains why so many landlords consider incorporation.

The catalyst for the modern wave of incorporations was the restriction on finance cost relief commonly known as 'section 24', which from 2017 onwards progressively withdrew higher rate relief for mortgage interest from individual residential landlords. The mechanism now sits in ITTOIA 2005, s 272A: interest is no longer deducted in computing rental profit but instead generates only a basic-rate tax reducer. For a geared, higher-rate landlord the effect was severe, and it pushed large numbers of investors to consider corporate ownership, where interest remains fully deductible under the loan relationship rules. The detail of that restriction is outside the scope of a report concerned with exit rather than entry, but it matters here because it explains why a substantial proportion of the portfolios now facing succession questions are held in companies, and why the corporate structures examined in Sections 3 to 6 are so prevalent.

Several more recent changes bear directly on the exit and succession analysis, and are introduced below.

The furnished holiday lettings regime was abolished with effect from April 2025 by the Finance Act 2025. For years, qualifying holiday accommodation had been treated as a trade for a number of purposes including capital allowances, business asset disposal relief and gift hold-over relief, and it represented the one route by which a property letting activity could access trade-like treatment. Its abolition closed that route and brought the great majority of holiday-let owners squarely within the 'business but not trade' analysis that governs ordinary lettings. Its abolition is felt throughout this report wherever a relief depends on trading status.

On capital gains tax, the rates applicable to disposals by individuals are now 18% within the basic-rate band and 24% above it, the residential and non-residential rates having been aligned following the changes that took effect on 30 October 2024. The annual exempt amount stands at £3,000. Business asset disposal relief (BADR), where it is available at all, now produces an effective rate of 18% for disposals on or after 6 April 2026 (having risen from 14% in 2025/26 and 10% before that), within the £1m lifetime limit. The significance of BADR for landlords is, as Section 5 explains, almost entirely irrelevant – it is generally unavailable to them unless their activities constitute property development – but the rate is noted for completeness.

On inheritance tax, the reform of business property relief and agricultural property relief enacted in the Finance Act 2026 caps relief at the 100% rate at £2.5m of qualifying property per person from 6 April 2026, with relief above that threshold restricted to 50% and the allowance transferable between spouses and civil partners. For the pure investment landlord this reform is largely a non-event, because such a landlord's property does not qualify for the relief in the first place; it becomes relevant only to estates that contain a genuine trading element alongside the property, and it is addressed in that limited context in Section 6.

On profit extraction, the dividend tax rates rose from 6 April 2026 to 10.75% at the basic rate and 35.75% at the higher rate, the additional rate remaining at 39.35% and the dividend allowance at £500. Because the central difficulty of corporate ownership is the double layer of tax suffered when profits are extracted, this increase sharpens the analysis in Sections 4 and 5, where the corporate versus personal comparison is worked through in full.

On acquisition taxes, the surcharge on additional residential dwellings and on corporate acquisitions stands at 5% across England and Northern Ireland, having risen from 3% in October 2024 (the rate is 8% in Scotland (increased from 6% in December 2024) and 5% in Wales (increased from 4% in December 2024)); the flat 17% rate on residential dwellings over £500,000 acquired by companies and other non-natural persons remains, subject to the letting reliefs; and a 2% surcharge applies to acquisitions by non-residents in England and Northern Ireland. The position differs in the devolved nations: the additional dwelling supplement under Scotland's land and buildings transaction tax is now 8%, and the higher-rate surcharge under Wales's land transaction tax is 5%. These charges matter to exit and succession because any restructuring that involves moving property, most obviously an incorporation, is a land transaction, and the tax on it can be the single largest cost of the exercise (see Section 3).

Finally, two announced changes that fall outside the current tax year nonetheless bear on decisions taken now. From 6 April 2027, property income will be taxed at its own rates of 22%, 42% and 47%, 2% above the rates on earned income, with finance cost relief still given only at the basic rate. This measure applies to individuals and not to companies, and it tilts the comparison further towards corporate ownership for the continuing landlord.