

Buy-to-Let Limited Company (SPV) Mortgage Checklist



- Speak to your accountant, tax advisor and estate planner prior to making any investment decision;
- Undertake a detailed cost-benefit analysis to establish whether Limited Company acquisition is the most tax efficient course of action. As long as the Section 24 legislation remains in place, this is likely to be the case (unless you are certain that you will remain in the low income tax bracket);
- Find a good mortgage broker with experience of Limited company lending and a solicitor that understands the additional paper work required;
- When purchasing with cash or bridging, ensure you understand what mortgage products and associated loan to values are available at the point of refinancing (observing the 6-month rule);
- Appreciate that buy-to-let mortgage financing through SPVs generally takes longer;
- Understand future tax obligation prior to acquisition (principally corporation and then a second layer of income tax on withdrawn dividends / salaries);
- When researching products, ensure that arrangement fees, higher BTL SPV mortgage finance costs and, where necessary, early redemption charges (ERCs) are incorporated into calculations;
- Ensure there will be no other forms of future revenue through the SPV other than for letting property (note there may be exceptions in this scenario but lenders will request specific information relating to the existing company which will complicate the underwriting process);
- Note that intercompany loans to fund deposits will generally delay the application;
- Should you already be a Director of an operational SPV for buy to let purposes and the revenue is less than £25,000, most lenders will request to see at least 2 years' accounts. Lenders may also request an asset / liability profile, business plan, current portfolio schedule and cashflow forecast(s);
- Ensure both business and personal credit ratings are healthy;
- Ensure that current buy-to-let business operations are healthy (voids, unmanageable refurbishment costs and other perceived risks may ring alarm bells);
- Set up your Limited company (preferably not "off the shelf") using SIC codes 68100 (buying and selling of own real estate) or 68209 (other letting and operating of own or leased real estate);
- Set up a Limited Company bank account and understand extra administrative requirements with the HMRC and Companies House;
- Have proof of income readily available (by means of SA302's from the HMRC, tax overviews, bank statements and/or payslips);
- Understand your obligations and responsibilities under Personal Guarantee (PG), Fixed / Floating Debentures and Deed of Priority contracts issued by the lender;
- Having deposit funding firmly in place prior to exchange of contracts.