

Flat management companies & tax

If you own or manage a flat management company, it's important to be aware of the various tax implications. This fact sheet will highlight some of the key taxes that you need to be aware of, as well as some helpful tips on how to minimise your tax liability. By understanding the basics of taxation for flat management companies, you can ensure that you are in compliance with the law and avoid any penalties.

Corporation Tax

Most flat management companies are subject to Corporation Tax at a rate of 19%.

Many of these companies are set up under The Right to Manage (RTM), which is a process that lets qualifying leasehold tenants take over the management of their building, even without the agreement of the landlord. The tenant(s) must have been a property resident for at least 12 months, and the property must be their only or main home. To set up a flat management company, you must follow the normal process for setting up a private limited company.

If the following conditions apply, you may not need to complete Corporation Tax Returns or pay Corporation Tax:

- ❑ The only income received by the company is the service charges paid by the property owners.
- ❑ The income is spent on the day-to-day maintenance and management of the complex.
- ❑ Surplus income is transferred to deferred income for future maintenance expenses.
- ❑ No deposit interest is earned in the year.

Company Tax Return

Flat management companies must send a Company Tax Return to HM Revenue & Customs (HMRC) no later than 12 months after the end of their first financial year. This is because HMRC might decide that the company is dormant, which means that you wouldn't need to submit returns from this company in future years.

HMRC may consider your company as dormant if the company does not:

- ❑ Allow directors who aren't residents or leaseholders to be appointed in its articles of association.
- ❑ Do more than manage the property in the interests of shareholders.
- ❑ Make a profit.
- ❑ Need to pay more than £100 in Corporation Tax in a year.
- ❑ Get any income from land.
- ❑ Pay dividends or other payments from profits to shareholders.
- ❑ Own any assets it is likely to dispose of which would give rise to a chargeable gain.
- ❑ Make payments that need to be taxed.

HMRC will send you a letter if they consider your company dormant.

If any of the above criteria apply to your business or if HMRC does not confirm that they think the company is dormant, then you will need to complete yearly Company Tax Returns.

If HMRC has previously confirmed that the company is dormant and then the company starts doing any of the things listed above, they will need to submit a new Company Tax Return.

This document has been prepared for information purposes and does not constitute advice. All information deemed correct as at 17 October 2025