



T W P

Chartered Accountants  
& Chartered Tax Advisers

**TWP can help you by:**

- Completing rental accounts and self assessment tax returns
- Considering all appropriate claims for expenditure and allowances
- Calculating your UK tax liabilities
- Identifying tax-planning opportunities to help minimise your tax bills
- Dealing with the UK Revenue on your behalf
- Completing and submitting self assessment elections for non residents
- Providing expert advice on capital gains tax if you decide to sell your property

**More about us:**

Established for over 75 years, we are one of the largest and oldest firms of chartered accountants in Weybridge, Surrey. With over 25 highly skilled employees, including partners, we are a firm committed to delivering exceptional service to a wide range of clients in the UK and overseas.

We are registered as a firm of Chartered Tax Advisers with the Chartered Institute of Taxation and our tax consultants have accumulated a total of over 40 years experience in advising UK and overseas landlords.

**Complete this form today, then post or fax it to us and we will contact you by return.**

Contact Name.....

Address.....

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Postcode.....

Telephone (Daytime).....

Telephone (Evening).....

Fax.....

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I am interested in:.....



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**Letting Your Property?  
A Quick Overview of Property Taxation**

If you are considering letting your property this booklet has been produced by TWP to answer some typical questions about taxation

# Some Frequently Asked Questions

## Q. Will I have to pay tax on rental income I receive from a UK residential property?

**A.** Yes – both UK resident and non-UK resident landlords must account for UK tax on property income arising in the UK. Non-resident landlords may be able to claim credit for UK tax paid against their global tax bill.

## Q. How is the taxable income calculated?

**A.** The amount on which tax is paid is the net income after deducting eligible expenses.

The income included is not the amount received during the tax year (which ends on 5 April), but is instead the amount arising during the year. This means, for example, that if two years rent is received in advance then this is spread over the tax years it relates to and not all taxed in the year of receipt. There are special rules where a lease premium is received instead of rent in advance.

Claims can be made to deduct various expenses paid by the landlord whilst the property is let. Examples include the following:

- Fees paid to your managing agent
- Council tax, water rates, ground rents and service charges
- Insurance (buildings & contents)
- Postage, stationery and telephone
- Accountancy fees
- Legal fees for lease renewal or debt collection
- Maintenance contracts (e.g. central heating, alarm systems)
- Cleaning and gardening
- Property repairs
- Interest paid (see below)

If the property is let furnished then a special wear and tear allowance can be claimed for the furnishings.

Expenditure on capital improvements to the property is not allowable against rental income. The distinction between property repairs (allowable against income) and improvements (not allowable) is not always clear and this is an area that the Revenue look at closely.

## Q. Can I claim a deduction for interest on a home purchase loan?

**A.** Yes – provided the loan has been taken out to purchase or improve a let property. Only the portion of the loan relating to the property purchase/improvement is eligible. Repayments of capital cannot be claimed against the rental income.

Following a recent change in H M Revenue & Customs guidelines it may be possible to claim additional tax relief in certain circumstances.

## Q. What happens if my expenses are greater than my income?

**A.** The resulting loss can either be set against other property income received in the same tax year or carried forward against future rental income (from any property).

## Q. How is the income tax due on my rents collected?

### UK resident landlords

**A.** The tax due is collected through the self-assessment system. If you are already sent a self-assessment tax form by the Revenue then the rental income is reported on supplementary pages attached to the form. If you do not receive a self assessment form from the Revenue then the Revenue must be advised of the income by 5 October following the end of the tax year in which the letting started. They will then send you a self-assessment form for completion.

Under self-assessment there are two payment dates for tax:

e.g. tax year ending 5 April 2007

1st Interim payment	31 January 2007
2nd Interim payment	31 July 2007
Balancing payment	31 January 2008

Each of the interim payments are 50% of the tax due for the previous year. If there is no tax liability in the previous year then no interim payments will be due.

If the interim payments are insufficient to cover the actual tax bill then the balance is paid on 31 January following the end of the tax year, as shown above. If too much has been paid then the Revenue will issue a refund. The 1st interim payment for the following tax year is due at the same time as the balance for the previous year and it is important to plan carefully for these payments.

### Non UK resident landlords

It is possible for non-resident landlords to elect to pay tax under the self-assessment system outlined above. An election will normally be accepted by the Revenue provided your UK tax affairs are up to date. It is important to ensure that UK tax returns are filed on time and any tax due paid by the correct date to avoid the possibility of the election being withdrawn by the Revenue.

If you do not elect or the election is not approved or withdrawn by the Revenue then your managing agent or, if you have not appointed an agent, your tenant will be responsible for deducting tax at basic rate from your rents. They will not necessarily take into account all of the deductions you are entitled to and you could end up paying too much tax.

## Q. How much tax will I have to pay?

**A.** This depends on the amounts of rents and expenses for the year, any tax allowances you are entitled to and your other taxable income.

## Q. Will I have to pay tax when I sell the property?

**A.** You may be liable to pay capital gains tax when you sell the property. The calculation of this can be very complex and any potential liability may be reduced with careful planning to make best use of the available exemptions.

Any capital gains tax liability is payable on 31 January following the end of the tax year. Unlike income tax, no payments on account are required.

## Q. I want to let a room in my own home

**A.** Special tax rules exist which are not covered in this leaflet, but please contact us for further information.

## Q. Where can I go if I need more advice?

**A.** Complying with your obligations under the self-assessment tax system can be a daunting and time consuming task. It is also very easy for taxpayers, without expert knowledge of tax rules and legislation, to miss claims that could be made and this can result in too much tax being paid.