

Self Assessment

Section 5: Land and Property

The Land and Property pages need to be completed by all tax payers that rent properties, whether that is multiple properties, holiday lets or rooms for rent within the owners own home (Lodgers).

If the rental income is part partnership income this should be included in the partnership pages (full).

Income from overseas land and property should be included in the foreign pages.

The rent a room scheme allows for an income of £4250 (gross) before tax is payable. If the property and income is shared, then this tax free allowance is split equally.

If the income is derived from furnished holiday lettings any losses arising can be offset against other income, otherwise rental losses can only be offset against other rental income.

For a letting to qualify as a furnished holiday letting it must be

- Furnished
- Available for letting on a commercial basis for >140days
- Actually let commercially for 70days
- Not normally occupied continuously by the same person for more than 31 days by the same person for at least 7 months of the year.

The letting year runs from 6th April to the 5th April the following year.

If the total income BEFORE expenses is less than £15,000 then expenses do not need to be listed separately.

Allowable expenses are

- Costs incurred for the sole purpose of earning a business profit
- Allowable Capital Allowances or renewal deductions on buying a capital asset

Expenses can be

- Rent, Rates, Insurance, Ground rents, water rates
- Repairs and maintenance that are required to prevent the property from deteriorating, but NOT improvements, additions and alterations.
- Renewals, i.e. the cost of replacing furniture, furnishings and machinery. This can include small items such as kitchen equipment.
- Finance charges relating to obtaining a mortgage or loan taken out to purchase the property. The interest element of the loan is also expensable.
- Letting expenses incurred for leases less than 1 year.
- Management fees
- Legal fees (normal) for renewing leases of less than 50 years.
- Professional fees required to evict a client.
- Accountancy fees to draw up accounts.
- Cost of services to the tenant, which includes cleaning, gardening etc, as long as they are wholly and exclusively for the purpose of letting.
- Other expenses can be the cost of collecting the rentals, travel costs, telephone calls, and advertising for new tenants.

Capital allowances are generally not available for rental property, but there is a charge of 10% of the rental income (after deducting services and charges) for furniture and furnishings. This can not be claimed at the same time as renewal costs and is known as "Wear and Tear". This cannot be taken as well as charging for the replacement or renewal of furnishings and fittings.

The above list is not exhaustive, and where a client is going to buy to let as an investment, specialist advice should be taken at the time on what is allowable against income.

When a property is sold Capital Gains Tax is payable on the difference between the original purchase price and the selling price, less selling expenses.