



Taxation Guide for Overseas Landlords



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Introduction

As London's leading independent residential letting and management company, established over 50 years ago, Benham & Reeves Residential Lettings offer Landlords a comprehensive service with our highly personal service assisting with all residential property-related HM Revenue & Customs matters as an extension to our role in managing your property. This includes the preparation of annual accounts, completion of tax returns and advice on any payments needed to be made on account.

Our Taxation Service

This process is overseen by our Finance Director, Vidhur Mehra, a member of the Institute of Chartered Accountants of England & Wales, having qualified from BDO Stoy Hayward, a large International firm of Chartered Accountants.

With all the information required easily accessible, we are able to prepare your return with minimal involvement from you.*

Letting Property in UK

All rental income earned from properties owned within the UK, after deducting allowable expenses, is subject to UK income tax. Landlords are legally required to submit an annual self assessment tax return to HM Revenue & Customs to declare their income and any tax payable.



** Our service is limited to preparing returns based on rental income from properties that we manage in the UK. However we are happy to discuss your individual requirements and advise you on what you need to do.*

The Non Resident Landlord Scheme



Under the HM Revenue & Customs Non Resident Landlord Scheme, Letting Agents are required to deduct tax at the basic rate of income tax (after making deductions for allowable expenses) from all overseas landlords unless they have received approval from HM Revenue & Customs in writing. The definition of overseas includes, Southern Ireland (but not Northern Island), Isle of Man, Jersey, Guernsey and Gibraltar.

The scheme applies to all non-resident landlords including individuals, companies, pension funds and trusts.

A landlord is deemed overseas if their usual place of abode is outside the UK, generally where they are resident outside of the UK for more than 6 months in a year.

How do I obtain an approval to receive rental income gross?

Once an application has been approved you will be entitled to receive all rental income paid without any tax deductions being made by us as your letting agent. To obtain approval you need to complete the appropriate application form and send the original form directly to HM Revenue & Customs at the address specified on the form. We advise that some form of recorded delivery be used to send the form and a copy is retained for your records.

The forms are all available on the following website: http://www.hmrc.gov.uk/cnr/nr_landlords.htm

It is imperative that you tick the box confirming you have a letting agent and you insert our details:

Benham & Reeves Residential Lettings
2/f Marlborough House, 179-189 Finchley Road,
London NW3 6LB

AND insert our reference number: **NA 010394**

At present HM Revenue & Customs are quoting time frames for processing these applications of 6-8 weeks from the date it is received.

The conditions for obtaining approval are:

- Any UK tax affairs must be up to date, or
- No obligation to UK tax arose before the application was submitted, or
- No liability to UK income tax is expected in the year in which the application is submitted, or
- The landlord is a Sovereign Immune who is not liable to pay UK tax.

On receipt of approval

Once HM Revenue & Customs are satisfied with the application the landlord will receive a confirmation letter with a reference number. This reference number is not the approval number. At the same time we, as your agent, should receive a letter with an approval number to pay rent gross of tax. It is this letter that is required before we can pay rent to the landlord without deducting tax. Approval numbers are shown on our landlord statements.

If a landlord already has approval, then they should contact HM Revenue & Customs and inform them that B&R Residential Lettings have been instructed as agents. By quoting our reference number NA 010394, HM Revenue & Customs will link us to the record and write to us with the approval confirmation and number.

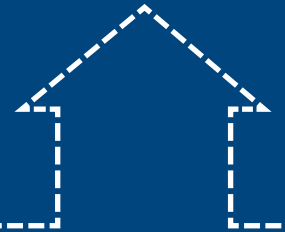
We are required to deduct tax until we receive the original approval letter.

Any tax deducted by us is remitted to HM Revenue & Customs on a quarterly basis shortly after the quarter end dates; (quarter end dates are 31 March, 30 June, 30 September, 31 December). Once we have paid the tax HM Revenue & Customs we cannot refund it directly to the landlord. They will have to claim it back directly from the HM Revenue & Customs. Any tax that has been deducted but not remitted to HM Revenue & Customs will be refunded by us directly to the landlord on receipt of approval.

By 5 July each year, we will send all landlords a certificate of tax deducted for the year to 31 March.

It is important to note that obtaining approval does not mean the landlord is exempt from having to pay UK income tax. It only means we can remit rent that we collect without making a tax deduction.

Self Assessment



Self-assessment was introduced in the UK on 6 April 1996. All non-resident landlords must submit an annual return declaring their net rental income and any resulting tax liability.

The tax year runs from 6 April to 5 April and paper returns must be submitted by 31 October following the end of the tax year.

Net rental income is the gross income less any allowable expenses. Allowable expenses are those that are incurred wholly and exclusively for the purposes of the rental business and that are not of a capital nature.

Examples of allowable expenses include, loan interest, service charges, agents fees, accountancy fees, utilities (whilst the property is vacant but available for letting) and repairs.

Capital expenditure can be categorised as any expense that creates an improvement to a property. A common example is furnishings. A separate wear and tear allowance of 10% of the net rent is allowed for such items. Net rent in this case, is the gross amount of the rent less any expenses which would normally be payable by a tenant when the property is occupied, and most commonly refers to utilities.

Some non resident landlords will be able to claim a personal allowance against any taxable income. This applies to non resident British Citizens, Commonwealth citizens and nationals of any European Economic Area state.

The rate of tax charged on any net rental income after the use of any available allowances is based on the prevailing UK income tax rates as specified by HM Revenue & Customs.

Payment of any Tax

Tax is payable on 31 January following the end of the tax year.

Payments on account are however required unless the tax liability is very small. The payments on account are due on 31 January and 31 July in the year preceding the end of the tax year. The amounts payable are based on the income tax due for the preceding tax year. Any balancing amount is payable on 31 January following the end of the tax year. We will advise on any payments needed to be made on account.



Information we will require



If we are instructed to prepare your self assessment tax return we will require certain information, where applicable, including:

- Your full name and home address
- Your unique tax reference number, which is a 10 digit reference specified on any correspondence from HM Revenue & Customs to you
- Your date of birth
- Your marital status and date of marriage (if applicable)
- Your national insurance number (if applicable)
- Details of any other UK income
- Details of any loans taken to finance the property and interest certificates as at the end of the tax year
- Details of any income and expenditure that was not through us
- The number of days you have spent in the UK in the last few years
- Details of your country of domicile, residence and employment
- Details of any allowances that you are entitled to
- Dates of acquisition and disposal of properties in the year
- A copy of the prior year tax return (if applicable) in the first year that we are instructed
- A completed form authorising us to act as your agent which we will provide

For Companies we will also require

- The registered office address
- The names and address of all Directors
- The Company registration number



Our Fees

Our fees are fixed for each year and are deductible from rental income as a tax-allowable expense:

For a sole owner of one let property	£325.00
For each additional owner	£100.00
For each additional property	£100.00

How to appoint us

Contact **Vidhur Mehra**

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Hong Kong • Singapore • Dubai • Delhi

