

TELEPHONE

Taxation Guide for Overseas Landlords

Introduction

1stavenue estate agents are a professional services company with offices in London and Hong Kong. Specialising in residential lettings and sales across London, we are renowned for our knowledge and delivering the highest levels of service and experience. To complement this comprehensive service we have teamed with a firm of Chartered Accountants who can assist with all residential property related HM Revenue & Customs matters. This includes the preparation of annual property accounts, completion of tax returns and advice on any payments needed to be made on account.

Letting Property in the UK – What do I need to know?

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.

The Non Resident Landlord scheme

HM Revenue & Customs require the letting agents of all managed properties in the UK to deduct tax at the current basic rate of tax (**currently 20%**), after deducting allowable expenses, from all overseas landlords, unless they have received approval from HM Revenue & Customs in writing. However, once an application has been approved you will be entitled to receive all rental income paid without any tax deductions being made by us. This would allow you to take into account all allowable expenses, wear and tear (for furnished properties) and any personal tax allowances, if applicable.

The scheme applies to all non-resident landlords including individuals, companies, pension funds and trusts. A landlord is deemed to be 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.

What are allowable expenses?

Allowable expenses are things like our commission fees, service charges, interest on your mortgage, furnishings, accountancy, wear & tear allowance, maintenance and repairs just to name a few.

How do I obtain approval from HM Revenue & Customs?

You will need to complete the appropriate application form and send the original form directly to HM Revenue & Customs at the address specified on the form. This is available from our Non Resident Landlord specialist Samantha Hattrill.

We advise that you scan a copy of the completed form and e-mail it to us so that we can keep a copy for our records. This will then enable us to chase HM Revenue & Customs on your behalf, if approval is not received within the expected timescales.

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

What happens if I already have approval (with another agent)?

You are only deemed to have approval when your managing agent is in receipt of an approval certificate.

You will need to contact HM Revenue & Customs directly on either contact number:

- **00 44 151 472 6208**
- **00 44 151 472 6209**

Notify them that 1stavenue have been appointed as your managing agent. You will need to quote our reference number **NA38350**, this will link your record to us, and we will receive an approval certificate and number. It's really that simple.

What happens if I do not have approval?

1st avenue is legally required to deduct tax at the current basic rate against your total rental income and pay this to HMRC on your behalf. The 20% tax will be noted on your statements, as will the tax that we are at liberty to refund against allowable expenses.

By the 5th of July following the end of the tax year, 1st avenue will issue you with a tax deduction certificate' NRL6 which you can use as part of your annual return, to show tax already paid via ourselves.

What if tax has been deducted, and then I receive approval?

Any tax deducted by us is paid to HM Revenue & Customs on a quarterly basis, shortly after the quarter end dates noted here:

31 March - 30 June - 30 September - 31 December

Once deducted tax has been paid to HM Revenue & Customs we will not be able to refund it to you, and you will be issued with a 'tax deduction certificate'. However, if deducted tax has not been paid to HM Revenue & Customs when approval is received, then 1stavenue will refund these monies directly to you.

PLEASE NOTE: OBTAINING APPROVAL DOES NOT MEAN THAT YOU ARE EXEMPT FROM PAYING UK INCOME TAX. ALTHOUGH YOU WILL NOT PAY TAX ON A MONTHLY BASIS YOU WILL BE LIABLE TO PAY ANY TAX DUE AT THE YEAR END THROUGH THE UK SELF ASSESSMENT TAX SYSTEM.

What if I want to engage the services of a UK accountant?

1stavenue have teamed with Adams and Moore Chartered accountants who can, should you appoint them, take control of your UK tax affairs. Costs associated with this would be on a case by case basis, which would be assessed when you engage with them - indeed with any accountancy firm. Should you wish to appoint Adams and Moore accountants to handle your affairs, please contact Samantha Hattrill.



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