

Guide to Taxation on Rental Income

All income generated from letting a property in the UK is subject to the UK tax laws, and all landlords must comply with these laws, whether they are a UK resident or not.

UK RESIDENT LANDLORDS

UK Resident Landlords are responsible for ensuring that all income from letting property in the UK is declared to Her Majesty's Revenue & Customs (HMRC) and the correct tax paid.

We recommend that all landlords seek the advice of an accountant regarding their tax affairs – both to ensure that they keep within the law, and to ensure that they do not pay more tax than is necessary.

All letting agents are required, by law, to make an annual disclosure to HMRC regarding every property that they rent for UK Resident Landlords. The details must include; name and address of landlord, address of the tenanted property, and gross annual rent received for the property. This information must be supplied, whether the property is managed or not.

NON-RESIDENT LANDLORDS

Under Taxation of Land (Non-Residents) Regulations 1995, an agent who receives rent on behalf of a Non-Resident Landlord, or a tenant who pays rent directly to a Non-Resident Landlord, must retain tax on the rent and pay this tax to HMRC.

Non-Resident Landlords are defined as persons (this includes individuals, companies and trustees) who have a UK rental income and a 'usual place of abode' outside the UK. A person having a 'usual place of abode' outside of the UK is generally considered to be an individual who is absent from the UK for 6 months or more.

Your agent or tenant is obliged to deduct basic rate tax from all rental income received or paid (net of allowable deductions) and to pay this to HMRC on a quarterly basis. You will be issued with an annual certificate (NRL6) confirming the payments made to HMRC. It will then be your responsibility to liaise with HMRC to ensure that the amount of tax paid on the rental income is correct, and that all deductible expenses to which you may be entitled have been taken into account.

This legislation places the responsibility for collecting and paying this tax squarely with your agent or tenant, therefore in the absence of any further authority from HMRC, this tax will be deducted.

RECEIVING YOUR RENT GROSS – WITH NO TAX DEDUCTED

There is provision under the regulations for Non-Resident Landlords to apply to HMRC to receive rental income gross (without tax deducted) and this is strongly recommended.

For help and advice about the NRL Scheme visit:
<https://www.gov.uk/tax-uk-income-live-abroad/rent#11>
or tel: 03000 516 644 (from UK)
or +44 3000 516 044 (from abroad).

Application to join the NRL scheme must be made online by downloading the following forms from:
<https://www.gov.uk/tax-uk-income-live-abroad/rent#11>

- NRL1i – If the applicant is an individual
- NRL2i – If the applicant is a company
- NRL3i – If the applicant is a trustee (including a corporate trustee)

Chase Evans can provide guidance on completing the forms if required. Where we act as your agent, our address for the forms is:

Strata Tower
10 & 12 Walworth Road
London, SE1 6EE

When requested, our HMRC reference number is NA035725. Please note, if you are already registered and move to Chase Evans, contact HMRC by phone on the telephone number above, and provide them with our details, so they can write to us to confirm your registration.

Completed application forms must be printed off and posted directly to HMRC. Their address can be found on the final page of the application form.

THE PROCESS

When the approval is given, HMRC will send you a notice of approval to receive rent with no tax deducted, and a separate notice will be sent to your agent or tenant, as named on the application, authorising them to pay the rent without deducting tax. Your agent or tenant can only take instruction from the notice addressed directly to them and must withhold tax up to the date stated on that notice.

Non-Resident Landlord tax is paid quarterly on the 30 June, 30 September, 31 December and 31 March. HMRC will normally backdate the authority to pay rent without deducting tax to the beginning of the quarter in which HMRC receives the application.

It should be remembered that acceptance to the Non-Resident Landlord scheme is an approval to receive rental income gross. It is not an exemption from tax liability, and you will still need to arrange to have your income assessed and tax paid to HMRC. HMRC will normally send self-assessment documentation automatically after granting approval. However, if you do not receive this documentation, it is still your responsibility to ensure that taxation is assessed and paid.

All letting agents are required, by law, to make an annual disclosure to HMRC regarding every property that they rent for Non-Resident Landlords. The details must include; name and address of landlord, certificate of approval number, gross rental received, expenses deducted and tax deducted. This information must be supplied whether the property is managed or not.

Chase Evans are neither accountants nor tax consultants. Therefore, we recommend that all landlords seek further advice regarding their taxation affairs from a suitably qualified professional.

IF YOU DO NOT HAVE APPROVAL

Chase Evans will be obliged to deduct basic rate tax from the rent received, and pay this to HMRC on a quarterly basis, and to issue certificate NRL6 to you at the end of the year. If we do not manage your property, your tenant will be obliged to deduct basic rate tax from the rent that they pay you, and pay this to HMRC on a quarterly basis. They will also have to issue a certificate NRL6 to you at the end of the year.

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