

LETTING

WHAT ARE THE
IMPLICATIONS OF
BEING AN OVERSEAS
LANDLORD?



THE IMPLICATIONS OF BEING AN OVERSEAS LANDLORD

All owners of property in the UK are required to pay tax on any rental income they receive, unless the income after allowable expenses is less than the individual's personal allowances. However, special rules apply to the UK rental income of non-resident landlords or landlords who live abroad usually for more than six months.

These rules are outlined in the Non-Resident Landlord Scheme (NRL), which operates for rental income paid on, or after, 6th April 1996.

How does it work?

If you live overseas and let your property through an agent or property manager, they must adhere to the scheme by deducting basic rate tax from your rental income before they pass it on to you, unless they receive written notification to the contrary. You can offset this tax against your own tax bill at the end of the year.

So, the agent will either:

- pay the rental income to a non-resident client gross, if authorised to do so by the Inland Revenue, or
- deduct tax at the basic rate on net income subject to certain allowable expenses and deductions

If your tenant pays the rent directly into your bank account they must operate the NRL Scheme and deduct tax, unless the rent is less than £100 per week or they receive written notification from the Inland Revenue's Centre for Non-residents (CNR) informing them that they don't have to.

How is the NRL Scheme administered?

The NRL Scheme is operated by the Inland Revenue's Centre for Non-residents (CNR). Non-resident landlords can apply to the CNR for approval to receive their rental income gross, i.e. with no tax deducted (an 'approval'). If the application is successful, the CNR will issue a notice and the agent will not be required to deduct tax.

Landlords with poor tax histories may be refused an approval and, in these cases, agents will be obliged to continue to deduct tax at the current basic rate on their net rental income.



Landlords must inform the Revenue if they return to live in the UK or if their tax situation changes.

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

An approval will allow you to receive all rental income due without deductions to cover tax liabilities. The forms are available from the CNR by phone or directly from their website at www.hmrc.gov.uk or from your letting agent. If there is more than one owner then both need to apply separately e.g. if one or both live abroad.

You can apply for approval if:

- Your UK tax affairs are up-to-date
- You have never had any UK tax obligations
- You do not expect to be liable for UK tax

Many people are entitled to set personal allowances against their income. If your UK income after allowable expenses is less than your personal allowances, then you will not be liable for tax. Landlords and agents will be notified simultaneously of decisions to grant or withdraw approval.

It's important to work closely with your property manager and financial adviser to ensure you gain the maximum benefit and file your returns in good time.

At Urban Spaces we take the headache away from our overseas landlords by offering free advice on how to manage the whole lettings process most effectively. Working with our financial services partner, Prudell Ltd, we can offer comprehensive financial planning advice to assist you while you're away and to ensure you benefit from any tax breaks whilst we manage your property. In fact, we'll look after everything leaving you free to focus on other things.

If you'd like to discuss your property management needs in more detail or require further advice on the NRL Scheme, please call us on 00 44 (0)20 7591 7342. We're here to help!

Further information on the NRL Scheme from the Inland Revenue

If you require further information on the scheme, visit the HMRC website at www.hmrc.gov.uk where you'll find the following factsheets:

Inland Revenue Booklet IR 140

'Non-resident landlords, their agents and tenants'

Inland Revenue Booklet IR 150

'Taxation of rents. A guide to property income.'

Inland Revenue booklet

'Non-resident landlords – Guidance Notes for Letting Agents and Tenants'

Inland Revenue leaflet

'A Letting Agent's Guide to the NRL Scheme'

Inland Revenue's CNR office

t: 0845 0700040 (outside the UK 00 44 151 210 2222)



For more information about buying, selling or letting your home, contact one of our dedicated Account Managers.

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