



**i** These notes will help you to complete the 'Partnership UK property' pages of your Partnership Tax Return.

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## Filling in the 'Partnership UK property' pages

The 'Partnership UK property' pages apply both to rental businesses with many properties and to partnerships with one property to rent.

Please gather together your records of rent received and expenses.

Complete these pages if the partnership has:

- rental income and other receipts from land and property in the UK
- chargeable premiums arising from leases of land in the UK
- furnished holiday lettings (FHL) in the UK or European Economic Area (EEA)
- a reverse premium

Use the 'Partnership foreign' pages for income from land or property overseas, except for FHL income from properties in the EEA. Go to [www.gov.uk](http://www.gov.uk) and search for 'SA802' for the 'Partnership foreign' pages.

There are certain receipts that arise out of the use of land that cannot be included in these pages. If the partnership runs the following type of business, you must fill in the 'Partnership trading' pages:

- canals, inland navigations and docks
- mines and quarries, including sandpits, gravel pits and brickfields
- rights of markets and fairs, tolls, bridges and ferries

This list is not comprehensive. If you do not know whether to include a particular sum, ask us or your tax adviser.

If the partnership owns property which is let as a furnished holiday letting in the UK or EEA, follow the guidance starting on page PLN 3. If the partnership lets property other than furnished holiday lettings, follow the guidance starting on page PLN 7 about other taxable income from land and property in the UK. Everyone who fills in the 'Partnership UK property' pages should read the general guidance starting on page PLN 2.

### **i** Need help?

Go to our website at [www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment](http://www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment)

### Phone

Self Assessment Helpline  
0300 200 3310

## Return period

### Boxes 1.1 and 1.2

For all partnerships (except investment partnerships other than 'CT Partnerships', see below) the 'Partnership UK property' pages should be completed for the profits of the partnership's rental business for its accounting periods ended in the 2023 to 2024 tax year. In these circumstances, the dates shown in boxes 1.1 and 1.2 must be the same as those you've entered in boxes 3.4 and 3.5 on page 2 of the Partnership Tax Return.

### Return period for investment partnerships

Where, exceptionally, a partnership does not carry on a trade or profession, the 'Partnership UK property' pages should be completed for the profits of the rental business in the period 6 April 2023 to 5 April 2024, unless the partnership is a 'CT Partnership' (see page PTRG 5 of the Partnership Tax Return Guide).

If accounts are made up for any other period, apportion figures in the sets of accounts that between them cover the period 6 April 2023 to 5 April 2024 (if apportionment gives a reasonable approximation of the actual figures for that period), or provide the actual figures themselves.

Enter '6/4/2023' in box 1.1 and '5/4/2024' in box 1.2.

### More than one accounting period

Where a Partnership Tax Return is required for the accounting period ended in the period 6 April 2023 to 5 April 2024 and there's more than one such accounting period, you may have to complete more than one set of 'Partnership UK property' pages. (See the notes on page PTRG 9 of the Partnership Tax Return Guide.)

### Providing details of income and expenditure

Accounts are prepared for a variety of reasons and in a variety of ways. It may not be immediately obvious where to enter some of your figures. The notes which follow are designed to give guidance in the most difficult areas but they are not intended to be hard and fast rules.

In some instances you may need to combine or apportion your figures to fit the Partnership Tax Return. If you include an expense under one heading where another may be equally appropriate, you must be consistent from one year to the next.

## Accounting methods

For partnerships with only individuals as partners, you can choose one of 2 methods.

### Method 1 - traditional accounting

You record income and expenses by the date you invoiced or were billed.

### Method 2 - cash basis accounting

Businesses with an income of £150,000 or less can use cash basis reporting. With this method, you only record income or expenses when you receive money or pay a bill.

For guidance on deciding if cash basis or traditional accounting is the right option to use, go to [www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income](http://www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income)

We assume that if your receipts are £150,000 or less for the tax year that you'll use cash basis rather than traditional accruals accounting.

You need to tell us if you have used traditional accruals accounting by completing the election boxes 1.3A and or 1.22A.

Make sure that you transfer all the entries in your accounts and that you include them once only. Complete the relevant information on all pages even if the partnership does not have accounts. If you need help, ask us or your tax adviser.

If the partnership has been told that they're within the Managing Serious Defaulters (MSD) programme, complete all applicable boxes on pages PL 1 and PL 2. If the partnership has been told that they're the subject of the additional reporting requirements you must also send the detailed partnership accounts, balance sheet and computations with the Partnership Tax Return. Identify and explain the nature and amount of any figures contained in those accounts that cannot be vouched by physical or electronic records made at the time that the underlying transactions took place, or written confirmation that no such figures are included.

### Furnished holiday lettings in the UK or European Economic Area (EEA)

Properties that are let as furnished holiday lettings are treated differently from other let properties for tax purposes and have certain tax advantages. For more information about this, read Helpsheet 253, 'Furnished holiday lettings'.

**i** For more information, go to [www.gov.uk](http://www.gov.uk) and search for 'HS253'.

If the partnership has furnished holiday lettings, start by filling in the first of the 'Partnership UK property' pages. Then fill in the second page. Details of other rental and business income and expenses go on the second page (see the notes on page PLN 7).

### What is a furnished holiday letting?

We normally regard a letting as a furnished holiday letting if it's a property in the UK or EEA that is:

- furnished
- available for holiday letting to the public on a commercial basis for 210 days or more during the year (the availability condition)
- actually let commercially as holiday accommodation for 105 days or more during the year (the letting condition)

There are other rules on long-term lets. If you think your property may qualify as a furnished holiday letting, please read Helpsheet 253.

### EEA businesses

If you have an FHL business in the EEA, complete boxes 1.3 to 1.20 following the guidance below and put an 'X' in box 1.19.

If you have both a UK FHL business and an EEA FHL business, complete a separate page for each business and put an 'X' in box 1.19 for the EEA business.

### Box 1.3 Income from furnished holiday lettings

Enter the gross amount of income from properties that qualify as holiday lettings in the UK or EEA in box 1.3. This includes all the rents that relate to the year ended 5 April 2024 and any monies obtained from the provision of any services to tenants. Non-resident landlords must show income here before deduction of tax. The tax will be included at box 1.22.

#### Box 1.3A Traditional accounting

Put 'X' in box 1.3A if you used traditional accounting instead of cash basis. Only partnerships that just have individuals as partners can use the cash basis.

If your receipts from your property business (UK and UK FHL or overseas and EEA FHL) are over £150,000 for the tax year, you must use traditional accounting.

If you have both UK FHL and UK property income, put 'X' in boxes 1.3A and 1.22A.

If you have both EEA FHL and overseas property income, put 'X' in boxes 1.3A and 2.8A on the SA802.

### Cash basis

Cash basis is a simpler way of working out your property business profits or losses. Only partnerships that just have individuals as partners can use the cash basis. You add up all your property income received and take off any allowable expenses paid in the year.

If you use cash basis do not include money you owe or money you are owed at the end of the year.

You cannot claim capital allowances if you're using cash basis. The only exception is cars.

For guidance on deciding if cash basis or traditional accounting is the right option for you, go to [www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income](http://www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income). You can decide each year if cash basis is the best option for you and you must tell us each year if you used traditional accounting and not cash basis.

If you have both UK FHL and UK property income, you must use the same basis for both. Boxes 1.3A and 1.22A must be the same.

If you have both EEA FHL and overseas property income, you must use the same basis for both. Boxes 1.3A and 2.8A on the SA802 must be the same.

### Transitional adjustments

If you change accounting practice, you may need to make a transitional adjustment. For guidance on the adjustments you'll need to make, go to [www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income](http://www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income). All transitional receipts must be included in box 1.3 and all transitional expenses must be included in box 1.9.

### Expenses

If the partnership's total property income in the year, including furnished holiday letting income, before expenses is less than £85,000 annually, you do not have to list expenses separately. Instead, put total expenses in box 1.9.

The following guidelines give an indication of the main types of expenses likely to arise from holiday lettings and what usually cannot or can be claimed as a deduction.

### **Non-allowable expenses**

A partner's personal expenses (see the notes about box 1.12 on page PLN 6).

Capital costs, such as expenses relating to the purchase of the land or property it intends to let, or the cost of purchasing machinery, furnishings or furniture.

Any loss made on the sale of a property.

### **Allowable expenses**

In general any costs incurred for the sole purpose of earning business profits.

You may be able to claim capital allowances on the cost of buying a capital asset.

The expenses must be allocated to the correct return period and it may be necessary to apportion certain expenses to arrive at the correct amount. If you include any expenses in boxes 1.4 to 1.9, make sure that you do not include them again in boxes 1.25 to 1.30 on page PL 2.

#### **Box 1.4 Rent, rates, insurance and ground rents**

Any rent paid under a lease of a property let to someone else as a furnished holiday letting can be deducted in working out business profits.

Other expenses connected with the property such as business rates, Council Tax, water rates, or ground rents are also allowable. Enter the total of these expenses incurred in the period in respect of all properties in the business in box 1.4.

Include any expenses the partnership must incur as landlord to insure the furnished holiday letting and its contents in box 1.4.

Insurance against loss of rents is also an allowable cost but you must include in box 1.3 any income you receive as a result of taking out such an insurance. Insurances that extend beyond the lettings business, such as personal policies or those insuring the partner's private belongings, are not allowable costs.

#### **Box 1.5 Repairs and maintenance**

Expenses that prevent the property from deteriorating can be deducted as a repair. Examples include exterior and interior painting, stone-cleaning, damp treatment, roof repairs, furniture repairs and repairs to lifts and other machines that form part of the property.

You cannot deduct the cost of capital expenditure incurred on improvements, additions and alterations to the property. Nor can you claim a deduction for the cost of notional repairs that are no longer required as a result of this capital expenditure.

If you're in doubt whether any work on the property is a repair or maintenance, ask us or your tax adviser.

### **Renewals**

The renewals allowance for the cost of replacing items is no longer available. You may be able to claim capital allowances on some of your capital items such as furniture, furnishings, appliances and kitchenware in boxes 1.13 to 1.15.

See PIM3230 in the Property Income Manual for more information on the background to this change. Go to [www.gov.uk/government/collections/hmrc-manuals](http://www.gov.uk/government/collections/hmrc-manuals)

#### **Box 1.6 Finance charges, including interest**

You can deduct the costs of getting a loan or alternative finance to buy a property that you let, and any interest on such a loan or alternative finance payments. You cannot claim the cost of any capital repayments from your mortgage.

You must only include the proportion of the costs that are for the purpose of your FHL properties and not any residential properties.

If you're not sure whether any financial cost is allowable as a deduction, ask us or your tax adviser.

#### **Box 1.7 Legal and professional costs**

Below are some examples of expenses you cannot deduct and those you can.

### **Non-allowable expenses**

Expenses in connection with the first letting or subletting of a property for more than one year. These include, for example, legal expenses (such as the cost of drawing up the lease), agents' and surveyors' fees and commission.

Any proportion of the legal, etc costs that relates to the payment of a premium on the renewal of a lease.

Fees incurred in obtaining planning permission, or on the registration of title when buying a property.

### **Allowable expenses**

Expenses for the let of a year or less.

Management fees relating to the ongoing costs of letting (for example, rent collection).

The normal legal and professional fees incurred on the renewal of a lease, if the lease is for less than 50 years.

Professional fees incurred evicting an unsatisfactory tenant, with a view to reletting, or those on an appeal against a compulsory purchase order.

Professional fees in drawing up accounts.

If you're not sure whether any legal or professional fee is allowable as a deduction, ask us or your tax adviser.


### **Box 1.8 Cost of services provided, including wages**

If, in addition to letting a property, the partnership provides any service to the tenant (such as gardening, portering, cleaning or even something like communal hot water) that requires a degree of maintenance and expense, you can claim the cost of these services to the extent that they're provided wholly and exclusively for the purposes of the letting.

Include the total of any expenses for all properties and their associated services in box 1.8. If the partnership receives any income for any service it provides, include this in box 1.3.

### **Box 1.9 Other expenses**

Enter all expenses incurred wholly and exclusively for the purpose of the rental business that are not already included in boxes 1.4 to 1.8 in box 1.9. Examples include the costs of rent collection, advertising for tenants, travelling solely for business purposes, stationery, phone calls and other miscellaneous expenses.

 For information, on flat rate expenses for landlords, go to [www.gov.uk/hmrc-internal-manuals/property-income-manual/pim2220](http://www.gov.uk/hmrc-internal-manuals/property-income-manual/pim2220)

If you're a non-resident landlord enter any tax taken off your income at box 1.22.

However, partners' personal expenses are not allowable. If the partnership spends money on something only partly used for the property, you must only enter the amount spent for business purposes in box 1.9. Alternatively, enter the whole amount and deduct in box 1.12 the proportion of the cost that represents personal use.

### **Lease premium relief**

Where the partnership (or an earlier tenant) paid a premium to the landlord when the lease was granted, and the partnership is subletting the property in the property business, you may be able to claim a deduction for part of the premium paid. The relief for premiums paid is only due on amounts taxable on the landlord as income (or would be if the landlord were liable to tax).

If you think you're entitled to a deduction for a premium paid, ask us or your tax adviser. Enter the amount of the allowable deduction in

box 1.9. The notes for box 1.23 explain how to calculate the part of the premium taxable on the landlord as income.

### **Tax adjustments**

To arrive at the partnership's income (or the allowable loss) for tax purposes you need to make certain adjustments to the net profit or loss arising in the year.

### **Box 1.12 Private use**

Private and personal expenses are not allowable. If the partnership spends money on something used only partly for its rental business and partly for a non-business reason you must either:

- enter the amount spent for business purposes in boxes 1.4 to 1.9
- enter the whole expenses in those boxes and in box 1.12 deduct the proportion of the cost that represents the personal use or the non-business element

For example, if the partnership lets a property for only 8 months in a year and it's used by the partners in the other 4 months, you can put the full annual cost of insuring the property in box 1.4. If you do, add back one third of that cost in box 1.12.

If you're in any doubt whether a particular expense needs to be apportioned between business and private use, ask us or your tax adviser.

### **Boxes 1.13, 1.13A, 1.13B and 1.15 Capital allowances and balancing charges**

In working out the profit from furnished holiday lettings you must not deduct either:

- the cost of buying, altering, building, installing or improving fixed assets
- depreciation or any losses that arise when you sell them

Instead, the partnership may be able to claim capital allowances in boxes 1.13A, 1.13B and 1.15. These reduce a profit or increase a loss. An adjustment, known as a balancing charge, may arise when the partnership sells an item, gives it away or stops using it in the business. Enter the amount of balancing charges in box 1.13. These increase profits or reduce a loss.

Under rules introduced in 2012 and 2014, a purchaser of a second-hand business property containing fixtures (such as kitchen fittings, electrical or heating systems) will not usually be entitled to claim allowances unless the past owner has 'pooled' its qualifying expenditure and has fixed the value of the fixtures.



'Pooling' includes making a claim for first year allowance or annual investment allowance for the expenditure. It is not necessary for the past owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on fixtures.

Normally, the value will be fixed by means of a joint section 198 CAA 2001 election, which must be notified to HM Revenue and Customs (HMRC) within 2 years of the property transaction. The amount the seller can bring in to any pool as the disposal value will be the same as the amount the buyer can bring in as the acquisition value for capital allowances purposes.

### **Box 1.13 Balancing charges**

Balancing charges may arise following a disposal or balancing event, such as the sale, loss or destruction of assets or on the cessation of business use, where the proceeds from the event are more than their tax value. If you sell an item you've claimed capital allowances on, and the sale proceeds or value of the item is more than the pool value or cost you'll have to pay tax on the difference (a 'balancing charge'). This includes items where the pool value is nil because you claimed all of the cost previously. Put the total balancing charge in box 1.13.

### **Box 1.13A Electric charge-point allowance**

You can claim 100% first year capital allowances for expenditure invested in the acquisition and installation of new and unused electric charge-points for electric vehicles. Put the amount of expenditure incurred in box 1.13A.

Do not claim capital allowances if you're using cash basis. The only exception is cars.

### **Box 1.13B Zero-emission car allowance**


Claim the 100% first year allowance (the full cost) of any new and unused zero-emission or electric cars in this box.

If you use a car outside of your business you must reduce the claim in proportion to the non-business use.

### **Box 1.15 All other capital allowances**

If you're claiming capital allowances for any other equipment or vehicles for your FHL put the amount in box 1.15.

You cannot claim capital allowances if you're using cash basis. The only exception for those using cash basis is cars.

 For more information, go to [www.gov.uk/business-tax/capital-allowances](http://www.gov.uk/business-tax/capital-allowances)

Your tax adviser, if you have one, will tell you how to work out capital allowances and balancing charges.

## **Losses**

### **Box 1.15B**

The losses to enter in this box for 2023 to 2024 will have been allocated between the partners in the previous year. Please review your records and add the allocated losses back together and enter them in this box up to the level of the FHL profits for the year.

### **Box 1.18**


This will be the figure in box 1.17 together with any losses for earlier years not set against this year's profits.

### **Box 1.19 EEA business**

If you're filling in the page for an EEA property business put an 'X' here. If you have several properties in different EEA states you need only complete one EEA form – you do not have to use a separate page for each state.

### **Box 1.20 Period of grace election**

If any property qualified as an FHL property in 2022 to 2023 but does not reach the occupation threshold in 2023 to 2024 put an 'X' in box 1.20.

 For more information, go to [www.gov.uk](http://www.gov.uk) and search for 'HS253'.

## **Transferring information to the Partnership Statement**

Transfer the amount of the profit at box 1.16 to box 20 in the Partnership Statement. If you want to allocate this figure between the partners at the same time, read pages 15 to 17 of the Partnership Tax Return Guide. Otherwise finish filling in the rest of the 'Partnership UK property' pages.

## **Other property income**

If the partnership owns land or property in the UK and enters into any transaction which produces rents or other receipts from the land or property, it's treated as operating a rental business.

The concept of a rental business is broad. The rental profit or loss takes account of all rental and similar income, and related expenses, resulting from the exploitation of land or property

in the UK. All activities by which the partnership derives income from land and property in the same capacity are treated as activities of the one business. It does not matter whether the partnership has a single property or many properties. All form a single business.

If the partnership receives income from way leaves and also receives rents from some or all of the land to which the way leaves relate, include the way leaves in box 1.21. If the partnership is carrying on a trade or profession, include the way leaves as part of the trading or professional income of the partnership at box 3.50 ('Partnership trading and professional income' pages). Otherwise, include the way leaves as 'Other partnership income' at box 7.26 ('Partnership savings, investments and other income' pages).

The guidance below tells you what income and what expenses to include in the profits or losses of the rental business.

## Income

### Box 1.21 Rents and other income from UK property

Enter the total of all income arising to the partnership business from any land and property you've rented out in the UK, except income arising from holiday lettings, chargeable premiums and reverse premiums (see notes on boxes 1.23 and 1.23A) in box 1.21.

Income also includes receipts in cash or in kind. When using traditional accounting, rather than cash basis, income is taxed when it's earned, even if the partnership does not receive the money or goods until later.

Include in box 1.21 any rent the partnership receives (or will receive) after 5 April 2023 which is payment for the year ended 5 April 2023 (because it's paid in arrears). Exclude any rent received which relates to any period after 5 April 2023 (because it's paid in advance).

It must be included in the income for the year to which it relates. Make sure you do not count money you received in this year if it was included in an earlier year.

Cash basis is a simpler way of working out your property profits or losses. Only partnerships that just have individuals as partners can use the cash basis.

You add up all your property income received and take off any allowable expenses paid in the year. If you use cash basis do not include money you owe or money you are owed at the end of the year.

Do not claim capital allowances if you're using cash basis. The only exception is cars.

Generally, most income will be rental income from a tenancy, leasing, or licensing agreements over the land or property. Rental income from furnished, unfurnished, commercial and domestic accommodation, and from any land, should all be included in the overall total. If the property is let furnished, any sums that a tenant may pay for the use of furniture will be taxable as income of the business. Add all this income together and put it in box 1.21.

### Receipts other than rent

Receipts other than rents are also taxable.

Some of the main categories are:

- rent charges and ground rents
- income arising from the grant of sporting rights
- income arising from letting others tip waste on the land
- income from letting someone use the land when no lease or licence is created, for example, receipts from a film crew who pay to film on the land
- grants received from local authorities towards the cost of repairs of a property – see the notes for box 1.26 for guidance on claiming relief for expenses on repairs

This list is not comprehensive. If you do not know whether to include a particular sum, ask us or your tax adviser.

### Box 1.22 Tax deducted

Certain income from property is received after tax has been taken off and accounted to us. The main type of income from which tax may be taken off is rental income received by a landlord whose usual place of abode is outside the UK. Include any non-resident landlord tax taken off such income here – see box 1.9.

If the income in box 1.21 includes payments to the partnership from which tax has been taken off, enter in box 1.22 the amount of tax taken off.

Make sure that the amount of income entered in box 1.21 includes any tax taken off. Put the total amount received plus the tax that has been taken off, not just the amount received after the tax has been taken off.

## Transferring information to the Partnership Statement

Transfer the amount of tax taken off entered in box 1.22 to box 25 in the Partnership Statement (full). If you want to allocate this figure between the partners at the same time, read pages 15 to 17 of the Partnership Tax Return Guide. Otherwise finish filling in the rest of the 'Partnership UK property' pages.

### Box 1.22A Traditional accounting

Put 'X' in box 1.22A if you used traditional accounting instead of cash basis. Only partnerships that just have individuals as partners can use the cash basis.

If your receipts from your UK property business and UK FHL income are £150,000 or more for the tax year, you must use traditional accounting.

If you have both UK FHL and UK property income, put 'X' in boxes 1.3A and 1.22A.

### Cash basis

Cash basis is a simpler way of working out your property business profits or losses. You add up all your property income received and take off any allowable expenses paid in the year.

If you use cash basis do not include money you owe or money you are owed at the end of the year.

You cannot claim capital allowances if you're using cash basis. The only exception is cars.

For guidance on deciding if cash basis or traditional accounting is the right option for you, go to [www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income](http://www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income)

You can decide each year if cash basis is the best option for you and you must tell us each year if you're using traditional accounting and not cash basis.

If you have both UK FHL and UK property income, you must use the same basis for both. Boxes 1.3A and 1.22A must be the same.

### Transitional adjustments

If you change accounting practice, you may need to make a transitional adjustment. For guidance on the adjustments you'll need to make, go to [www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income](http://www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income)

All transitional receipts must be included in box 1.21 and all transitional expenses must be included in box 1.30.

## Box 1.23 Chargeable premiums

The income of the rental business may include premiums paid for the grant of a lease and certain other lump sum payments, and other forms of consideration given in connection with the right to possession of a property. These premiums are taxable on a special basis.

Broadly, for leases over 50 years the entire premium is treated as a capital receipt and so does not form part of the business's income. For leases of up to 50 years the premium is treated as partly capital and partly rent, only the rent is taxable.

Use the working sheet to arrive at the taxable amount.

### Working sheet for chargeable premiums - leases up to 50 years

Premium	A	£	<input type="text"/>
Number of complete periods of 12 months in the lease (ignore the first 12 months of the lease)	B		<input type="text"/>
50 minus box B	C		<input type="text"/>
Box C divided by 50	D		<input type="text"/>
Box A multiplied by box D	E	£	<input type="text"/>
Copy figure in box E to box 1.23.			

If you're in doubt whether any payment you have received constitutes a premium, ask us or your tax adviser.

There can be a premium charge where you've assigned a lease but not required the payment of a premium. If you've assigned a lease and are not sure of all the consequences of that assignment, ask us or your tax adviser.

### Box 1.23A Reverse premiums

If the partnership receives a payment or other benefit as an inducement to take an interest in property for letting, that receipt will be chargeable as income from property. If the partnership receives an inducement in respect of premises from which it's to trade, see the note for box 3.50 in the Partnership Tax Return Guide. If you're in any doubt about the proper tax treatment of a reverse premium, ask us or your tax adviser.



## Expenses

If the total property income in the year, including furnished holiday letting income, before expenses is less than £85,000 annually, you do not have to list expenses separately. Instead, put total expenses in box 1.30.

The following guidelines give an indication of the main types of expenses that are likely to arise in a rental business and what usually cannot or can be claimed as a deduction.

### Non-allowable expenses

A partner's personal expenses (see the notes about box 1.33).

Capital costs, such as expenses relating to the purchase of the land or property it intends to let, or the cost of purchasing machinery, furnishings or furniture.

Any loss made on the sale of a property.

### Allowable expenses

In general any costs incurred for the sole purpose of earning business profits.

You may be able to claim the cost of replacing domestic items in residential lettings or capital allowances on the cost of buying a capital asset.

The expenses must be allocated to the correct return period and it may be necessary to apportion certain expenses to arrive at the correct amount.

Make sure you do not enter in boxes 1.25 to 1.30 any expenses you've already included in the entries for boxes 1.4 to 1.9.

### Box 1.25 Rent, rates, insurance, ground rents

Any rent paid under a lease of a property that's let to someone else can be deducted in working out the partnership's profits.

Other expenses connected with the property such as business rates, Council Tax, water rates, or ground rents are also allowable. Enter in box 1.25 the total of any such expenses incurred in the period in respect of all properties comprised in the business.

Include any expenses the partnership must incur as landlord to insure any let property and its contents in box 1.25. Insurance against loss of rents is also an allowable cost but you must include in box 1.21 any income received as a result of taking out such an insurance. Insurances that extend beyond the partnership's rental business, such as partners' personal policies or those insuring private belongings, are not allowable costs.

### Box 1.26 Repairs and maintenance

Expenses that prevent the property from deteriorating can be deducted as a repair.

Examples include exterior and interior painting, stone-cleaning, damp treatment, roof repairs, furniture repairs and repairs to lifts and other machines that form part of the property.

You cannot deduct the cost of capital expenditure incurred on improvements, additions and alterations to the property. Nor can you claim a deduction for the cost of notional repairs that are no longer required as a result of this capital expenditure.

If you're in doubt whether any work on the property is a repair or maintenance, ask us or your tax adviser.

### Renewals

The renewals allowance for the cost of replacing items is no longer available. Use box 1.37 for the cost of replacing domestic items such as furniture, furnishings, appliances and kitchenware.

### Box 1.27 Non-residential property finance costs

For non-residential property you can deduct the costs of getting a loan or alternative finance to buy a property that you let, and the full amount of any interest on such a loan or alternative finance payments.

For residential properties, for the tax year 6 April 2023 to 5 April 2024 non-corporate partners cannot deduct the cost of getting a loan, or alternative finance to buy a property that is let, or any interest on such a loan or alternative finance payments. Interest costs will be used to calculate a reduction in the partners' Income Tax in box 1.40.

Partnerships with corporate and non-corporate members will need to calculate the costs of getting a loan, or alternative finance to buy a property that is let or any interest on such a loan or alternative finance arrangements separately for non-corporates only.

If interest costs for non-corporate partners refer to residential property in the tax year 6 April 2022 to 5 April 2023 or earlier, a proportion of the interest can be deducted. The remaining proportion should be entered in box 1.40.

If you're not sure whether any financial cost is allowable as a deduction, ask us or your tax adviser.

**i** For more information on the residential property finance costs restriction, go to [www.gov.uk/guidance/changes-to-tax-relief-for-residential-landlords-how-its-worked-out-including-case-studies](http://www.gov.uk/guidance/changes-to-tax-relief-for-residential-landlords-how-its-worked-out-including-case-studies)

### Box 1.28 Legal and professional costs

Below are some examples of expenses the partnership cannot deduct and those it can.

#### Non-allowable expenses

Expenses in connection with the first letting or subletting of a property for more than one year. These include, for example, legal expenses (such as the cost of drawing up the lease), agents' and surveyors' fees and commission.

Any proportion of the legal etc costs that relates to the payment of a premium on the renewal of a lease.

Fees incurred in obtaining planning permission, or on the registration of title when buying a property.

#### Allowable expenses

Expenses for the let of a year or less.

Management fees relating to the ongoing costs of letting (for example, rent collection).

The normal legal and professional fees incurred on the renewal of a lease, if the lease is for less than 50 years.

Professional fees incurred evicting an unsatisfactory tenant, with a view to reletting, or those on an appeal against a compulsory purchase order.

Professional fees in drawing up accounts.

If you're not sure whether any legal or professional fee is allowable as a deduction, ask us or your tax adviser.

### Box 1.29 Cost of services provided, including wages

If, in addition to letting a property, the partnership provides any service to the tenant (such as gardening, portage, cleaning or even something like communal hot water) that requires a degree of maintenance and expense, you can claim the cost of these services to the extent that they're provided wholly and exclusively for the purposes of the letting.

Include the total of any expenses for all properties and their associated services in box 1.29.

If the partnership receives any income for any service provided, include this in box 1.21.

### Box 1.30 Other expenses

Enter in box 1.30 all expenses incurred wholly and exclusively for the purpose of the rental business that are not already included in boxes 1.25 to 1.29. Examples include the costs of rent collection, advertising for tenants, travelling solely for business purposes, stationery, phone calls and other miscellaneous expenses.

However, partners' personal expenses are not allowable. If the partnership spends money on something used only partly for the property, you must enter only the amount spent for business purposes in box 1.30. Alternatively, enter the whole amount and in box 1.33 deduct the proportion of the cost that represents personal use.

**i** For information, on flat rate expenses for landlords, go to [www.gov.uk/hmrc-internal-manuals/property-income-manual/pim2220](http://www.gov.uk/hmrc-internal-manuals/property-income-manual/pim2220)

### Lease premium relief

Where the partnership (or an earlier tenant) paid a premium to the landlord when the lease was granted and the partnership is subletting the property in the property business, it may be able to claim a deduction for part of the premium paid. The relief for premiums paid is only due on amounts which are chargeable on the landlord as income (or would be if the landlord was taxable).

If you think the partnership is entitled to a deduction for a premium paid, ask us or your tax adviser.

Enter the amount of the allowable deduction in box 1.30. The notes for box 1.23 explain how to calculate the part of the premium which is taxable on the landlord as income.

### Tax adjustments

To arrive at the partnership's income (or the allowable loss) for tax purposes, you need to make certain adjustments to the net profit or loss arising in the year in box 1.32. The main adjustments are listed below.

### Box 1.33 Private use

Private and personal expenses are not allowable. If the partnership spends money on something used only partly for the rental business and partly for a non-business reason you must either:

- enter the amount spent for business purposes in boxes 1.25 to 1.30

- enter the whole expenses in those boxes and in box 1.33 deduct the proportion of the cost that represents the personal use or the non-business element

For example, if the partnership lets a property for only 8 months in a year and a partner uses it for the other 4 months, you can put the full annual cost of insuring the property in box 1.25. If you do, add back one third of that cost in box 1.33.

If you're in any doubt whether a particular expense needs to be apportioned between business and private use, ask us or your tax adviser.

### **Boxes 1.34, 1.35A, 1.35B, 1.35C, 1.35D, 1.35E and 1.36 Capital allowances and balancing charges**

In working out the rental business profits, do not deduct either:

- the cost of buying, altering, building, installing or improving fixed assets
- depreciation or any losses that arise when you sell them

Instead, the partnership may be able to claim capital allowances in boxes 1.35A to 1.36. These reduce a profit or increase a loss. An adjustment, known as a balancing charge, may arise when it sells an item, gives it away or stops using it in the business.

Enter the amount of balancing charges in box 1.34. These increase the profits or reduce a loss.

However, if the partnership lets a property as a dwelling house in the UK (other than as furnished holiday accommodation), capital allowances are not available on any fixtures, machines, furniture, furnishings or other items for use in the property or the building or any structure to do with the dwelling house. However, see the notes on box 1.37.

Under rules introduced in 2012 and 2014, a purchaser of a second-hand business property containing fixtures (such as kitchen fittings, electrical or heating systems) will not usually be entitled to claim allowances unless the past owner has 'pooled' its qualifying expenditure and has fixed the value of the fixtures.

'Pooling' includes making a claim for first year allowance or annual investment allowance for the expenditure. It is not necessary for the past owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on fixtures.

Normally, the value will be fixed by means of a joint section 198 CAA 2001 election, which must be notified to HMRC within 2 years of the property transaction. The amount the seller can bring in to any pool as the disposal value will be the same as the amount the buyer can bring in as the acquisition value for capital allowances purposes.

### **Box 1.35A Annual Investment Allowance**

Annual Investment Allowance (AIA) can be claimed for the purchase of equipment (but not cars). For the maximum amount of AIA and other guidance, go to [www.gov.uk/capital-allowances/annual-investment-allowance](http://www.gov.uk/capital-allowances/annual-investment-allowance)

If the equipment is used for both business and private use, reduce the AIA claimed by the private use proportion.

### **Box 1.35B Electric charge-point allowance**

You can claim 100% first year capital allowances for expenditure invested in the acquisition and installation of new and unused electric charge-points for electric vehicles. Put the amount of expenditure incurred in box 1.35B.

### **Box 1.35C The Structures and Buildings Allowance**

If the partnership is eligible to claim the Structures and Buildings Allowance (SBA), put the amount of the claim in box 1.35C (unless claiming the enhanced rate of SBA for Freeports and Investment zones tax sites, in which case, put the amount of the claim in box 1.35D).

If claiming for the first time in respect of an amount of qualifying expenditure, use the 'Additional information' box, box 3.116 on the SA800, to record the:

- date the building first came into qualifying use or, if later, the date the qualifying expenditure was incurred
- total amount of new qualifying expenditure incurred

To check if and how much you can claim, go to [www.gov.uk/guidance/claiming-capital-allowances-for-structures-and-buildings](http://www.gov.uk/guidance/claiming-capital-allowances-for-structures-and-buildings)

### **Box 1.35D Freeports and Investment zones Structures and Buildings Allowance**

If you're eligible to claim the enhanced Structures and Buildings Allowance for Freeports and Investment zones tax sites put the amount of the claim in box 1.35D.

If claiming for the first time in respect of an amount of qualifying expenditure use the 'Any other information' box, box 3.116 on the SA800, to record the:

- Freeports and Investment zones to which the claim relates
- address or location of the structure or building
- date the building first came into qualifying use, or if later, the date the qualifying expenditure was incurred
- total amount of new qualifying expenditure incurred
- date the first contract for construction was entered into

To check if and how much you can claim, go to [www.gov.uk/guidance/check-if-you-can-claim-enhanced-structures-and-buildings-allowance-relief-in-freeport-tax-sites](http://www.gov.uk/guidance/check-if-you-can-claim-enhanced-structures-and-buildings-allowance-relief-in-freeport-tax-sites)

Business Premises Renovation Allowance (BPRA) is no longer available for expenditure incurred from 6 April 2017. Put any BPRA claims for expenditure incurred before 6 April 2017 in box 1.36 and any BPRA balancing events in box 1.34.

**i** For information about BPRA, go to [www.gov.uk/guidance/business-premises-renovation-allowance-bpra](http://www.gov.uk/guidance/business-premises-renovation-allowance-bpra)

Do not claim capital allowances if using cash basis. The only exception is cars.

### Box 1.35E Zero-emission car allowance

Claim the 100% first year allowance (the full cost) of any new and unused zero-emission or electric cars in this box.

If you use a car outside of your business, you must reduce the claim in proportion to the non-business use.

### Box 1.36 All other capital allowances

The type of capital allowance and amount that you can claim will depend on the cost, type of asset and other circumstances. For example, you can only claim capital allowances for furniture and fixtures or other equipment for use in a dwelling house if it qualifies as a Furnished Holiday Letting (FHL). Put your total capital allowances not claimed elsewhere in box 1.36.

You may be able to claim some of these allowances:

- 18% writing down allowance (WDA) on the balance of your purchase after deducting any Annual Investment Allowance (AIA) if your total costs were more than the AIA maximum amount

- 6% WDA for 'special rate' equipment such as electrical systems and cars with higher CO2 emissions

**i** For more information, go to [www.gov.uk/business-tax/capital-allowances](http://www.gov.uk/business-tax/capital-allowances)

Your tax adviser, if you have one, will tell you how to calculate capital allowances and balancing charges.

**i** If you do not have a tax adviser, or want more information on capital allowances, go to [www.gov.uk/business-tax/capital-allowances](http://www.gov.uk/business-tax/capital-allowances)

### Box 1.37 Costs of replacing domestic items

If the partnership lets any residential accommodation (such as a house or flat) in the UK (other than a furnished holiday letting), capital allowances are not available on expenditure on assets in the dwelling house.

Instead, the partnership can claim the cost of any replacement domestic items for use in the accommodation by putting an amount in box 1.37.

This cost can be claimed where:

- the cost is actually incurred on purchasing a replacement domestic item – you cannot claim the initial cost for an item provided in the accommodation for the first time
- the new item is provided solely for the use of the tenants in the accommodation and the old item is no longer available for use
- if the new item is an improvement on the old item, the cost you can claim is limited to the cost of purchasing an equivalent replacement to the old item – the new item is an improvement if there is a substantial upgrade in the function, materials or quality over the old item, unless this is due to the new item being the nearest available modern equivalent

Domestic items include:

- moveable furniture, for example, beds, free-standing wardrobes
- furnishings, for example, curtains, linens, carpets, floor coverings
- household appliances, for example, televisions, fridges, freezers
- kitchenware, for example, crockery, cutlery

Capital allowances can be claimed if the partnership let furnished, but not residential, accommodation. If capital allowances can be claimed, you cannot claim the cost of replacing domestic items.

### **Box 1.40 Residential property finance costs**

Put residential property finance costs for non-corporate partners in box 1.40.

This amount will be used to calculate a reduction in partner's Income Tax.

**i** For information on the residential property finance costs restriction, go to [www.gov.uk/government/news/changes-to-tax-relief-for-residential-landlords](http://www.gov.uk/government/news/changes-to-tax-relief-for-residential-landlords)

### **Transfer of information to the Partnership Statement (full)**

Transfer any profit figure in box 1.39 to box 19 in the Partnership Statement (full). Similarly, if you have not already done so, transfer any figure in box 1.22 to box 25.

Remember, you'll need to complete more than one Partnership Statement if you've completed more than one set of 'Partnership UK property' pages for this tax return.

If you want to allocate these amounts between the partners now, read how to allocate profit to the partners in the Partnership Tax Return Guide.







