HM Revenue & Customs

Foreign notes

Tax year 6 April 2010 to 5 April 2011

Contacts

Please phone:
- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to **www.hmrc.gov.uk**

Contents

These notes will help you fill in the *Foreign* pages of your tax return. They do not attempt to explain everything that can be reported on these pages but cover the more common situations. There is much more information on our helpsheets, available at **www.hmrc.gov.uk** or from the SA Orderline.

The following items should **not** be included on the *Foreign* pages but on the relevant pages of your tax return instead:
- foreign income earned by your business or partnership goes on the *Self-employment* or *Partnership* pages
- any taxable capital gains arising from the disposal of overseas assets goes on the *Capital gains summary* pages
- foreign employment income goes on the *Employment* page
- income from furnished holiday lettings in the European Economic Area goes on the *UK property* pages.

Relief for foreign tax paid

If you have shown amounts on the *Self-employment* or *Partnership* pages, the *Capital gains summary* pages or the *Employment* page, and you want to claim Foreign Tax Credit Relief on those amounts (see page FN 3), you will need to complete the *Foreign* pages (see page F 6).

How your foreign income is taxed

Arising basis

Most people are taxed on their foreign income in the year in which it is received or occurs (this normally means when it is paid) whether or not it is brought to the UK – this is known as the arising basis.

These notes explain how to complete the *Foreign* pages of your tax return if you pay tax on your worldwide income and gains (**the 'arising basis'**).

Remittance basis

Some people are able to claim an alternative basis of calculating the amount of tax due. This is known as the remittance basis. The remittance basis is an alternative tax treatment that is available to those people who are resident in the UK and who are:

- not domiciled in the UK, or
- not ordinarily resident in the UK.

You are strongly recommended to read booklet HMRC6 before you make any decision about claiming the remittance basis of taxation.

Remittance basis taxpayers are liable to UK tax in the ordinary way on their UK source income and gains. But they are only liable to UK tax on any amounts of foreign income and gains that are remitted to the UK.

Note 1 – you can claim to be taxed on the remittance basis on your foreign gains, only if you are resident but not domiciled in the UK.

Note 2 – if you used the remittance basis in an earlier tax year, any foreign income or gains of that year that you later remit are taxable in the year that you remit them regardless of whether you use the arising basis or the remittance basis for that tax year.

Note 3 – the remittance basis does not apply to chargeable event gains under a policy of life insurance, life annuity or on a capital redemption policy. These are taxable on the full amount arising in the year irrespective of whether they are remitted to the UK or not.

Further information about residence, domicile and the remittance basis of taxation can be found in booklet HMRC6 *Residence, Domicile and the Remittance Basis* which is available at **www.hmrc.gov.uk**

If you decide that you want to pay tax on the remittance basis you will need to ask the SA Orderline for a copy of Helpsheet 264 *Remittance basis* (the helpsheet is also available at **www.hmrc.gov.uk**). You will also need a copy of the *Residence, remittance basis etc.* pages on which to make your claim to be taxed on the remittance basis.

You are strongly recommended to read booklet HMRC6 in particular Chapter 5 before you make any decision about claiming the remittance basis of taxation.

Unremittable income

If you have any income from outside the UK that you were unable to bring to the UK because of exchange controls or a shortage of foreign currency in the overseas country, you can claim that the unremittable income should not be taxable in 2010–11. This does not apply in respect of income or a benefit arising as a result of a transfer of assets (you will know if this applies to you).

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Box 1 ***If you were unable to transfer any of your overseas income to the UK***

To claim that you have unremittable income, put 'X' in box 1 and give full details of the country in which the income arose, amount in foreign currency and any foreign tax you have paid in the 'Any other information' box on your tax return (or on a separate sheet).

Income becoming remittable

If you have previously claimed that foreign income was unremittable because it could not be remitted at the time and it became possible for it to be brought to the UK for the first time in the year to 5 April 2011 because, for example, exchange controls were lifted, it is treated as arising (and taxable) in 2010–11. You must include in your Self Assessment return any income to which this applies even if it is not actually remitted to the UK. The amount of the income and any foreign tax charged should be converted to sterling using the exchange rate in force at the time when it became possible to remit the amount. Enter the details and amounts on your tax return in the boxes for the type of income.

Foreign Tax Credit Relief

If your overseas income and gains have had foreign tax deducted it may be possible to obtain relief from double taxation. Foreign Tax Credit Relief is normally the best way to obtain such relief, but if you do not want to or cannot claim it, you can deduct the foreign tax when calculating the amount of income and gains chargeable to UK tax. You cannot do both.

> **Example 1**
>
> John received interest of £1,000 on which foreign tax of £150 was deducted.
>
> If the income is chargeable to UK tax at 20% and he claims Foreign Tax Credit Relief, his net liability will be (£200 minus £150) = £50.
>
> If he does not claim Foreign Tax Credit Relief but claims a deduction for the foreign tax, his liability will be (£1,000 minus £150) = £850 x 20% = £170.

Foreign Tax Credit Relief is not always available, or may not be available on the full amount of foreign tax you have paid. Relief is subject to the following rules:

- you must be a UK resident
- the income must arise in the foreign country and be properly chargeable under the foreign country's law
- the amount of Foreign Tax Credit Relief must not exceed the UK tax on the same item of income or gains
- where a Double Taxation Agreement exists between the UK and the other country, the amount of foreign tax available for the relief is restricted to the minimum foreign tax payable under the terms of the Agreement. To check if the UK has entered into a Double Taxation Agreement with the foreign territory you should go to **www.hmrc.gov.uk** and search for *DT Digest*
- if no Double Taxation Agreement exists, or the Agreement does not cover that particular foreign tax, relief is only available if the tax corresponds to UK Income or Capital Gains Tax.

Double Taxation Agreements

A Double Taxation Agreement is an arrangement between two territories which is designed to avoid the situation where the same item of income or gains might be taxable in both places – for example, in both the UK and in the territory where the income or gain arose.

Tax deducted from dividends of the countries listed below is not eligible for Foreign Tax Credit Relief. The countries are:

Antigua	Jersey
Australia (franked dividends only)	Kiribati
Belize	Malaysia
Cyprus	Malta
The Gambia	Montserrat
Guernsey	Singapore
Isle of Man	

Although the tax is not available for credit relief, it can be deducted in calculating the amount of the dividend chargeable to UK tax.

Box 2 ***If you are calculating your tax, enter the total Foreign Tax Credit Relief on your income***

You do not have to calculate your Foreign Tax Credit Relief yourself. We will do it for you if you complete the relevant boxes and make sure you send us your tax return by the appropriate filing deadline. Leave this box blank if you are not calculating your own Foreign Tax Credit Relief.

If you do want to calculate your Foreign Tax Credit Relief you will need Helpsheet 263 *Calculating Foreign Tax Credit Relief on income* to work out the amount of relief. Enter the total amount of relief in box 2.

Remittance basis taxpayers
there is information on this subject in Helpsheet 264

Special Withholding Tax (SWT)

Special Withholding Tax (SWT) is an amount of tax withheld on certain payments to UK residents by some European Member States and other related and third party territories under the terms of the European Savings Directive and equivalent third party agreements. This tax will be in addition to any foreign tax deducted by the country of origin of the payment. The countries that may deduct SWT are:

Andorra	Liechtenstein
Austria	Luxembourg
British Virgin Islands	Monaco
Gibraltar	Netherland Antilles
Guernsey	San Marino
Isle of Man	Switzerland
Jersey	Turks and Caicos Islands

Where SWT is deducted you are treated as having paid in the year of deduction an equivalent amount of Income Tax in the UK, which can be set against your UK tax liability of that year or repaid to you if the amount exceeds that liability.

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Example 2

Jeremy pays tax on the arising basis and received interest of £800 from Jersey after deduction of Special Withholding Tax (SWT) - known as retention tax in Jersey - of £200.

Enter on page F 2/F 3 of the *Foreign* pages:

Country or territory code (page F 2 column A)	JEY
Amount before tax taken off (column B)	£1000
Special Withholding Tax (column D)	£200

Income from overseas sources

All entries on pages F 2 and F 3 should be in UK sterling, not foreign currency. Your income should be converted to sterling at the rate of exchange that applied at the time when the income arose, and the full amount reported in the relevant boxes whether or not it was brought into the UK.

If you are not sure of the exchange rate to be applied ask your tax adviser or go to **www.hmrc.gov.uk**

The following notes and examples will help you fill in these pages correctly:
- use a separate row for each country
- if you have more than one source of the same type of income from the same country – for example, more than one savings account from the same country – you can add them together (unless exceptionally there is a different tax treatment)
- if you do not have enough room for all your entries, send a separate schedule giving the same information for each type of income as shown on pages F 2 and F 3. But do complete the 'Total' boxes shown on page F 3, including any amount on separate schedules.

A Country or territory code

Interest and other income from overseas sav

J E Y

Column A

Enter the country code for the country in which the item of income arose. Country or territory codes begin on page FN 19 of these notes.

B Amount of income arising or received before any tax taken off

£ 120

Column B

Enter the amount of income before deducting any foreign tax or Special Withholding Tax.

C Foreign tax taken off or paid

£ 0

Column C

Enter the amount, in sterling, of the foreign tax paid on the income shown in column B.

D Special Withholding Tax and any UK tax taken off

£ 24

Column D

Enter the amount of any Special Withholding Tax deducted from the income. If any UK Income Tax has been deducted from the income this should also be included here and please give further details in the 'Any other information' box on your tax return.

E To claim Foreign Tax Credit Relief put 'X' in the box

X

Column E

If you are claiming Foreign Tax Credit Relief for this income, put 'X' in this box – it is usually to your benefit but see page FN 3 for more information.

F Taxable amount - *if you are claiming foreign tax credit relief, copy column B here. If not, enter column B minus column*

£ 120

Column F

Enter the taxable amount. If you are claiming Foreign Tax Credit Relief the amount here should be the same as the figure in column B. If you are not claiming Foreign Tax Credit Relief the amount should be the amount in column B minus any amount in column C.

Interest and other income from overseas savings

Include:

- interest from foreign bank accounts, foreign company loan stocks, or from loans to individuals or other organisations outside the UK
- interest from overseas unit trusts and other investment funds. Your unit trust or fund voucher will show the interest paid, and any foreign tax or Special Withholding Tax paid. Ask the administrator of the trust or fund for a voucher if you do not have one
- income from a purchased life annuity. Income will only be part of the payment you receive – check your payment certificate or other advice from your annuity payer. Do not put the rest of the payment on your tax return. A purchased life annuity is neither a retirement annuity, nor the result of contributions made to a personal pension plan
- any other income from overseas savings
- accrued income securities including all interest bearing securities. No profit arises and no loss is made for 2010–11 if the nominal value of all accrued income securities held at any time in 2010–11 and 2009–10 did not exceed £5,000. If the value is above £5,000 you will have to calculate profits or losses. Helpsheet 343 *Accrued Income Scheme* gives more information.

Boxes 3 and 4

Add up all the entries in columns D and F, including any amount on separate schedules, and put the totals in boxes 3 and 4 respectively.

Remittance basis taxpayers
there is information on this subject in Helpsheet 264

Dividends from foreign companies

Include:

- dividends from foreign companies. Your dividend voucher will provide the information needed
- any other distributions from overseas sources, for example, company assets released to its shareholders (such as shares it holds in another company). Enter the value of such assets at the date of distribution. If you are unsure ask us or your tax adviser for help.

Exclude:

- distributions made in the course of the liquidation of a foreign company
- distributions that constitute a return of your capital interest in a foreign company
- distributions made by a foreign company in the form of its own stocks and shares. (This does not include shares received under any form of dividend reinvestment plan. For example, where you have asked for a cash dividend payable to be used to purchase further shares; these should be included in the dividends from foreign companies)
- stock dividends from foreign companies or bonus shares from a stock dividend issue made by a foreign company.

Where a distribution was not made in shares and you have accepted an option from a foreign company to receive cash instead of shares, the cash is taxable.

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From 22 April 2009, there are new rules relating to dividends from offshore funds. If the offshore fund from which you have received a payment is substantially invested in interest bearing assets, you are treated as having received interest and not a dividend or other distribution (see Note 1 on page FN 8). An offshore fund is an offshore collective investment scheme that may take the form of a non-resident company. Ask your financial advisor or broker if you are not sure whether the shares you hold are in an offshore fund.

Boxes 5 and 6

Add up all the entries in columns D and F, including any amount on separate schedules, and put the totals in boxes 5 and 6 respectively.

Remittance basis applied for earlier years

If, in 2010–11, you have 'remitted to the UK' foreign dividends that arose in an earlier year in which you were taxed on the remittance basis, do not show these amounts in the section on pages F 2 and F 3 headed 'Dividends from foreign companies'. Instead, enter the amount of remitted foreign dividends in the boxes on pages F 2 and F 3 in the section headed 'Interest and other income from overseas savings' and include the total amount in box 4.

Because dividends of earlier tax years are not shown on the section of your tax return dealing with foreign dividends, if you are claiming a tax credit on a foreign dividend that was paid to you after 5 April 2008 you should use the Working Sheet below to work out the amounts to enter in column B on page F 2.

To claim the tax credit, you will need to make an adjustment to box 2 on page F 1. Fill in the Working Sheet below to calculate the adjustment. Add this into box 2. Tell us in the 'Any other information' box (on page TR 6 of your tax return) the total amount of dividends included in box 4 and the amount that does not qualify for UK tax credit.

Working Sheet for non UK dividends qualifying for tax credit

Amount actually received	A	£
Foreign tax taken off before receipt	B	£
Total – box A + box B	C	£
Box C x 100/90 – copy to column B on page F 2	D	£
Box D x 10% – *add to amount in box 2*	E	£

Dividend tax credits

UK residents who receive dividends from foreign companies are, in most cases, entitled to a tax credit equal to ⅑ of the dividend. The same applies where the dividends are received by trustees but they are treated as your income because you are the settlor of the trust; or you are taxable on the income because you have a non-discretionary entitlement to this trust income.

From 22 April 2009, to qualify for the ⅑ tax credit you must pass one of the following tests. These are that:

1 the company paying the dividend is not an offshore fund and you own less than 10% of the issued share capital, or any class of share, or
2 the company that has paid the dividend to you is an equity based 'offshore fund' (see Note 1 below on distributions from offshore funds), or
3 the company paying the dividend is not an offshore fund and is resident for tax purposes in a territory with which the UK has a Double Taxation Agreement (DTA) that includes a 'non-discrimination' article (there is a list of these territories at pages FN 19 to FN 21).

Under this condition the dividend tax credit is not available where the:

- DTA does not include a non-discrimination article (see Note 2 below)
- dividend is one of a series paid as part of a tax advantage scheme and any company paying a dividend which is one of that series, is not resident in a qualifying territory. (A tax advantage scheme is a scheme whose sole purpose is to enable a person to obtain the tax credit or any other relief from tax)
- dividends are from certain 'excluded companies' (see Note 3 below).

You should consult your tax adviser if you are in any doubt about this.

Note 1

From 22 April 2009 there is an important change to the way dividends from offshore funds which are substantially invested in interest bearing assets are treated for tax purposes. Where an offshore fund holds more than 60% of assets in interest-bearing (or economically similar) form, any distribution you receive is treated as a payment of yearly interest (see 'Interest and other income from overseas savings' on page FN 6 of these notes). You will not qualify for the dividend tax credit and the tax rates applying will be those applying to interest.

Note 2

The DTAs with the following territories do not include a 'non-discrimination' article:

Antigua and Barbuda	Kiribati
Belize	Malawi
Brunei	Montserrat
Grenada	St. Kitts and Nevis
Guernsey	Sierra Leone
Isle of Man	Solomon Islands
Jersey	Tuvalu

Note 3

The excluded companies are:

- Barbados – companies established under the International Business Companies Act(s)
- Cyprus – companies entitled to any special tax benefits under various Cyprus enactments

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- Jamaica – companies established under enactments relating to International Business Companies and International Finance Companies
- Luxembourg – holding companies established under the Luxembourg 1929 and 1937 Acts
- Malaysia – companies carrying on offshore business activity under the Labuan Offshore Business Activity Act 1990
- Malta – companies entitled to special tax benefits under various enactments.

Example 3

A UK resident receives a dividend from a foreign company. The dividend is £900, inclusive of withholding tax. The withholding tax rate is 15%.

Dividend (inclusive of withholding tax of £135 (£900 x15%)			£900
Tax credit ($^{1}/_{9}$)			£100
Gross income for tax			£1,000
UK tax charged at the dividend upper rate (£1,000 x 32.5%)		£325	
Less:	withholding tax at 15%	£135	
	tax credit	£100	
Net UK liability		£90	

Box 7 *Amount included in box 6 that does not qualify for UK tax credit*

If you have foreign dividend income that does not qualify for the dividend tax credit you need to complete this box. Leave the box blank if all your foreign dividends qualify for the tax credit.

Overseas pensions, social security benefits and royalties etc.

Complete this section if at any time during 2010–11 you received a pension or social security benefits from overseas. You should also include any pensions or annuities paid in the UK but on behalf of an overseas pension provider who is outside the UK. Do not include purchased life annuities here; you should include income from purchased life annuities in the section for interest and other income from overseas savings.

Some overseas pension schemes are registered in the UK. Pensions from such schemes should not be returned on the *Foreign* pages but in the UK pensions, annuities and other state benefits received section (page TR 3) of your tax return. The scheme administrator will be able to tell you whether this applies to the pension scheme.

If you expect to start receiving a pension or annuity before 6 April 2011, enter details of the provider and annual amount in the ‘Any other information’ box on your tax return. This will help us get your PAYE tax code right for next year.

10% deduction

Remittance basis taxpayers there is information on this subject in Helpsheet 264

You can deduct 10% of the value of overseas pensions, annuities and social security pensions so that only 90% of the amount received will be taxable in the UK.

If you are claiming the 10% deduction or any exemption due (see below), enter in column F the amount in column B minus:

- the 10% deduction or the exemption, and
- if you are not claiming Foreign Tax Credit Relief, any foreign tax entered in column C. If you are claiming Foreign Tax Credit Relief put 'X' in column E.

It is possible that you have a pension that is not taxable in the UK because of the terms of a double taxation treaty. To claim that your foreign pension is not taxable in the UK, give full details in the 'Any other information' box on your tax return (or on a separate sheet) of the payer of the pension and identify the relevant double taxation treaty on which you are relying. See the *DT Digest* at **www.hmrc.gov.uk** for information about the terms of Double Taxation Agreements entered into by the UK.

Exemption

Some foreign pensions are wholly or partly exempt from UK tax.
These include:

- war widows' pensions and some pensions paid to other dependants of deceased forces and Merchant Navy personnel. Helpsheet 310 *War widows' and dependants' pensions* provides more information
- foreign pensions awarded to former employees because of a work-related illness or injury at work, where the pension is more than it would have been had you retired, at the same time, for health reasons not caused by your work. The extra amount is not taxable
- pensions and annuities payable under German or Austrian laws
  - to victims of Nazi persecution
  - to pensioners prevented by persecution from making normal social security contributions and who have been given credit for the unpaid contributions, or purchased additional years
  - where the grant of the pension is dependent upon the exercise of a discretion by the granting authority.

If you are not sure whether your pension is exempt from UK tax, ask us or your tax adviser.

If, during 2010–11, you started to receive such a German or Austrian pension (see above) please enclose a copy of the pension award ('Bescheid') with your tax return.

Arrears of foreign pension

If the amount of pension you received in 2010–11 included payments which relate to an earlier tax year, you can claim to spread those payments back to the year they relate to as long as the pension is taxed on the arising basis. If you think this might be to your advantage, ask us or your tax adviser.

Social security benefits

Exclude foreign benefits that correspond to the following UK benefits:

- Incapacity Benefit (where the award was made for a period of incapacity which began before 13 April 1995)
- Incapacity Benefit paid during the first 28 weeks of your incapacity
- Attendance Allowance
- Disability Living Allowance
- Severe Disablement Allowance
- Maternity Allowance
- Guardian's Allowance
- Child Benefit.

Include all other foreign benefits. If you are unsure about whether a benefit should be included or not, ask us or your tax adviser.

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Boxes 8 and 9

Add up all the entries in columns D and F, including any amount on separate schedules, and put the totals in boxes 8 and 9 respectively.

Dividends and all other income received by a person abroad

Boxes 10 to 13

If you have transferred, or taken any part in the transfer of assets, as a result of which income has become payable to a person abroad, you may need to complete these boxes. All items chargeable as income under the transfer of assets provisions should be entered in this section only. Helpsheet 262 *Income and benefits from transfers of assets abroad and income from non-resident trusts* has more details on how you complete these boxes.

Remittance basis taxpayers
there is information on this subject in Helpsheet 264

Furnished holiday lettings in the European Economic Area (EEA)

From 22 April 2009 there has been a change in the treatment for furnished holiday lettings in the EEA. If you have income from the commercial letting of furnished holiday accommodation in the EEA you can claim the same reliefs that apply to commercially let furnished holiday accommodation in the UK. If you let qualifying holiday accommodation in the EEA and want to claim reliefs currently available under the furnished holiday lettings (FHL) rules, complete the *UK property* page in respect of that accommodation.

If you want to claim Foreign Tax Credit Relief for any foreign tax paid, you should complete the section headed 'Foreign tax paid on employment, self-employment and other income' on page F 6 of the *Foreign* pages.

Income from land and property abroad

You are taxable on the full amount of your overseas rental income for the year ended 5 April 2011, whether you bring the income into the UK or not.

Fill in boxes 14 to 24 if:

- you have only one overseas let property, or
- you have more than one but they are all in the same country, and all the income is remittable, or
- you have more than one and there has been no foreign tax deducted from any of the income and all the income is remittable.

Otherwise you will need to take a copy of pages F 4 and F 5 and fill in boxes 14 to 24 for each overseas let property (for example, if you have more than one overseas let property and they are in different countries and the rental income has had some foreign tax taken off it). If any overseas property income is unremittable, please read the notes on pages FN 2 and FN 3.

You must also complete columns A to F and boxes 25 to 32 as appropriate (see the notes on pages FN 14 and FN 15).

Remittance basis taxpayers
there is information on this subject in Helpsheet 264

Income and expenses

Box 14 *Total rents and other receipts (excluding taxable premiums for the grant of a lease)*

Include the full amount of any rents or other receipts you receive from any rights or interests you hold in land or property situated abroad, but exclude any chargeable premiums; these go in box 16.

Box 16 ***Premiums paid for the grant of a lease***

If your rental business income includes premiums paid for the grant of a lease and other lump sum payments etc. given in connection with the right to possession of a property, these payments are taxable on a special basis. More information, including a Working Sheet, is on page UKPN 7 of the *UK property notes* available at **www.hmrc.gov.uk** or from the SA Orderline.

Box 17 ***Property expenses (rent, repairs, legal fees, cost of services provided)***

Generally, you can claim the running costs of your letting business as a deduction but you cannot claim, as property expenses, any capital costs. These are expenses relating to the purchase or sale of, or improvements, additions and alterations to, land or property, equipment, furnishings or furniture. But you may be able to claim capital allowances (see bottom of page) or a renewals deduction (see page FN 13) for these capital costs.

Include all your allowable property expenses. Allowable expenses may include:

- rents, rates, insurance, ground rents, etc.
- property repairs and maintenance
- renewals – although you cannot claim these **and** capital allowances or the 10% wear and tear allowance (see notes for box 23 on page FN 13)
- interest and other finance charges
- legal, management and other professional fees
- costs of services provided, including wages
- other property expenses.

You cannot deduct:

- expenses incurred in connection with the first letting or subletting of a property for more than a year. These include legal expenses such as the cost of drawing up a lease, agents' and surveyors' fees and commission
- any costs of agreeing and paying a premium on renewal of a lease
- fees for planning permission or registration of title on a property purchase.

There are more details in the *UK property notes* or the *Property Income Manual* both available at **www.hmrc.gov.uk**

Calculating profits and losses for tax purposes

Box 19 ***Private use adjustment***

Personal expenses are not allowable as a business deduction so if you have included in box 17 any amounts that were not wholly for the property business, enter the private (non-business) proportion here. For example, if you let a property for only eight months in a year and you use it yourself for the other four months, you could include the full annual cost of insuring the property in box 17. If you do, you should include the four months non-business cost in box 19.

Box 20 ***Balancing charges***

There may be an adjustment called a balancing charge if, during the year you sell, give away or stop using an item in your business that you claimed capital allowances on. Helpsheet 252 *Capital allowances and balancing charges* explains this.

Box 21 ***Capital allowances for equipment and vehicles***

You cannot deduct the cost of buying, altering, building, installing or improving 'fixed' assets such as property, equipment or machinery. Nor can

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you claim depreciation or losses when such assets are disposed of. Instead you can claim capital allowances, which reduce your profits (or increase a loss). Helpsheet 252 *Capital allowances and balancing charges* provides more details.

You cannot claim capital allowances for any furnished residential lettings.

Box 22 *Landlord's energy saving allowance*

You can claim for installing:
- loft, floor, cavity wall or solid wall insulation
- draught-proofing and insulation for hot water systems

in foreign residential let property. The maximum amount allowed for total expenditure on these items is £1,500 for each let property. If you own the let property with others, and the total expenditure on the let property exceeds £1,500, only claim for your proportionate share of £1,500.

Box 23 *10% wear and tear allowance*

If you let any furnished residential accommodation (such as a house or flat) you cannot claim capital allowances on any machines, furniture or furnishings supplied, or on any fixtures that are part of the building. Instead you may claim a renewals deduction in respect of the renewal of all such items in box 12. Or you may claim the 10% wear and tear allowance in box 23. But you cannot claim both.

The wear and tear allowance is equal to 10% of the net rents after deducting charges or services that a tenant would usually bear but which are, in fact, borne by you (such as local rates).

You cannot claim capital allowances for any furnished residential lettings.

Summary

Everyone who has income from land and property abroad needs to complete this section irrespective of whether they are taxed on the arising or remittance basis. The only exception to this is if you have claimed the remittance basis and have made no remittance in the year (see Helpsheet 264 *Remittance basis*).

You must complete the 'Summary' section whether you have completed just one page for income and expenses or more than one.

If you completed just one set of boxes 14 to 24, copy the figure from box 24 to box 25 and complete columns A to F, as applicable, as instructed below. If you completed more than one set of boxes 14 to 24, you will need to pool the profit and losses of all your let properties to calculate the overall result. If you are claiming Foreign Tax Credit Relief you will need to identify the amount of UK tax attributable to each particular property. Separate computations of profit and loss are needed for each property.

Losses

Boxes 26, 27, 31 and 32 in relation to losses are only to be completed by those individuals who pay tax on the arising basis.

If there are losses available and a claim to Foreign Tax Credit Relief is being made, the losses should be deducted in the order most favourable to your claim. If you are calculating your Foreign Tax Credit Relief claim, you can find an example of this in our *Property Income Manual* at PIM4702 (go to **www.hmrc.gov.uk** and search the list of manuals).

Column A

Enter the country code where the property is situated. Country or territory codes begin on page FN 19 of these notes. (If you have properties in more than one country but are only filling in one set of boxes 14 to 24, enter the country code of the first property in column A and the codes for the others in the 'Any other information' box of your tax return.)

Column B

Enter the profit or loss from the let property.

Column C

Enter the amount of any foreign tax paid on the let income.

Column D

Enter here any UK tax deducted.

Column E

If you want to claim Foreign Tax Credit Relief put 'X' in the box.

Column F

If you have claimed Foreign Tax Credit Relief, and there is a profit in column B, copy the figure in column B here. If there are profits and losses from more than one foreign property, deduct any losses from profits in the order most favourable to any Foreign Tax Credit Relief claim before entering the net amount of profits from each property (after losses) in column F. If there is a loss from one foreign property, or if there are net losses from any property, leave column F boxes blank.

If you are not claiming Foreign Tax Credit Relief, you should enter the amount in column B minus any amount in column C.

Box 26 *Total loss brought forward from earlier years*

Enter here total unused losses from earlier years that are available to be deducted from your overall profit or added to your overall loss. This is the figure in box 32 on your 2009–10 *Foreign* pages.

Box 27 *Total taxable profits*

If the entry in box 25 is a profit, deduct any unused losses in box 26 that you want to set off against profits (up to the amount in box 25) from the box 25 figure and enter the result here. If the entry in box 25 is negative (a loss) leave box 27 blank.

Boxes 28 and 29

Enter the total amount of any tax for which you are claiming credit in the relevant box, including any amounts shown on a separate schedule.

Box 30 *Total taxable amount*

Add up all the entries in column F, including any on a separate schedule, and then take off any losses brought forward included in box 26 which are to be set off against the total amount. Put the result in box 30 (enter '0' if the result is negative).

Box 31 *Loss set off against total income*

In certain limited circumstances you can claim to have the loss from your rental income set off against your total 2010–11 income. You can only set off

Contacts

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- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to **www.hmrc.gov.uk**

the loss if it arises as a result of claims to capital allowances (and your capital allowances in box 21 exceed your balancing charges in box 20).

The loss that may be set off is limited to the lowest of the amount of:
- any capital allowance in box 21, after deducting any balancing charges in box 20, or
- the loss in box 24, or
- your other income.

Enter the amount you want to set off in box 31.

Box 32 *Total loss to carry forward to the following year*

If you have made a net profit (there is a positive amount in box 25), enter in box 32 the total of the loss brought forward in box 26, less any of that loss set off against the profit in box 25. If you have made a net loss (there is a negative amount in box 25), enter in box 32 the total of the loss in box 25 plus any losses brought forward from earlier years in box 26, minus any amount set off against total income in box 31. You will need the figure in box 32 to complete the *Foreign* pages on next year's tax return.

Foreign tax paid on employment, self-employment and other income

Fill in this section if you are claiming Foreign Tax Credit Relief on income or gains reported elsewhere on your tax return, including income from furnished holiday accommodation in a European Economic Area (EEA) country. If you have income from membership of Lloyd's, please see Helpsheet 240 *Lloyd's underwriters* for guidance on completing this part of the *Foreign* pages.

Column A

Enter the code for the country where your income arose and where foreign tax has been deducted. Country or territory codes begin on page FN 19 of these notes.

Column C

Enter in sterling the amount of the foreign tax paid.

Column F

Enter the gross amount of income (before any tax has been taken off) you have reported elsewhere and on which foreign tax has been paid.

Please provide details in the 'Any other information' box of your tax return, or on a separate schedule, of where on your return this income is included (for example, on an *Employment* page and if more than one which one, or *Self-employment*, *Partnership*, *Trusts etc.*, *UK property* or *Capital gains summary* pages.)

If you have a business in the UK and the gross receipts of the business include income on which you have paid foreign tax you will need to work out the amount of overall profits that came from the overseas receipts.

If the source of income is the overseas branch of a UK business, enter in column F the gross profits earned by the branch and keep a copy of the branch accounts as we may ask you for a copy.

In certain circumstances if your business basis period for 2010–11 overlaps with your basis period for 2009–10 you may be able to claim Foreign Tax Credit Relief on the profits for the overlap period even though relief for the same tax may have already been allowed in working out your tax liability for 2009–10. Helpsheet 260 *Overlap* provides more information.

Capital gains – Foreign Tax Credit Relief and Special Withholding Tax

If you have a gain from a foreign country where you have had foreign tax deducted and you want to claim Foreign Tax Credit Relief, complete boxes 33 to 40 as appropriate. However please note that boxes 34 to 36 are now obsolete. This follows a change in the way that the amount of Foreign Tax Credit Relief available to set against UK tax on certain chargeable gains is calculated. All entries for gains and foreign taxes should be made in sterling. If you have more than one gain then please give the information requested at boxes 33 to 40 ignoring boxes 34 to 36 for each gain on a separate schedule. The totals for all gains and foreign tax paid (boxes 33 and 37) should be entered on the *Foreign* pages.

If you want to claim Foreign Tax Credit Relief for any foreign tax paid on any capital gains, put 'X' in box 38. We will calculate the amount due as long as you have completed the appropriate boxes (and additional schedule if necessary) and have sent us your completed tax return by the appropriate filing date. If you calculate your Foreign Tax Credit Relief yourself enter the amount you are claiming in box 39. Helpsheet 261 *Foreign Tax Credit Relief: capital gains* gives more information.

If the proceeds of a transaction, which if a gain were to accrue on it would be a chargeable gain and chargeable to Capital Gains Tax have had Special Withholding Tax deducted by one of the territories listed on page FN 4, enter the total amount in box 40.

Other overseas income and gains

Box 41 *Gains on disposals of holdings in offshore funds (excluding the amounts entered in box 13) and discretionary income from non-resident trusts*

You may need to make an entry in this box if you have disposed of an interest in an offshore fund. The rules relating to this can be quite complex. We have published guidance in our *Offshore Funds Guide Manual* and *Savings and Investment Manual* (go to **www.hmrc.gov.uk** and look for manuals within the *Search* facility) or alternatively you should ask your tax adviser. The following is only a general overview.

The term 'offshore fund' is defined in UK tax legislation; broadly such a fund is an investment scheme of which the trustees or operators are not resident in the UK (for example, unit trusts operated under Jersey laws and Belgian SICAVs are offshore funds). Other than 'open ended' investment companies, non-resident companies generally are not offshore funds but you should check this with the fund manager or your tax adviser.

In certain circumstances, gains on disposals of holdings in offshore funds are taxable as income instead of being taxed as capital gains. If that is the case, you should enter the amount of the gain in box 41. If not, give details of the disposal and the gain or loss in the *Capital gains summary* pages.

Any income you receive from the offshore fund should be returned on pages F 2 and F 3.

If you have received an income payment from a non-resident trust, Helpsheet 262 *Income and benefits from transfers of assets abroad*

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and income from non-resident trusts has more detail on how to complete this box.

Box 42 ***If you have received a benefit from a person abroad, enter the value or payment received***

If someone else has transferred, or taken any part in the transfer of assets, as a result of which income has become payable to a person abroad, the value of the payment or any other benefit you receive may be treated as your income for tax purposes. If you think this applies to you (and you will probably know if it does) Helpsheet 262 *Income and benefits from transfers of assets abroad and income from non-resident trusts* has more detail on how to complete this box.

Boxes 43 to 45 ***Gains on foreign life insurance policies, life annuities and capital redemption policies***

Complete boxes 43 to 45 if you have made a gain on a foreign life insurance policy, foreign capital redemption policy or foreign life annuity. Do not include in box 43 any amount(s) that you have already included in box 13.

If you have received a certificate from your insurer showing a 'chargeable event gain' then complete these boxes using the information on the certificate unless any of the following apply:

- you are not the sole owner of the policy (but if you jointly own the policy with your spouse or civil partner, you should each enter half of the gain)
- you have been resident outside the UK for part of the period since the policy was taken out
- on or after 21 March 2007 you paid premiums exceeding £100,000 in total into the policy or policies in a tax year and you received a rebate of commission in respect of those premiums or commission was reinvested in the policy as additional premium.

If any of the three situations applies to you, then you will need to look at Helpsheet 321 *Gains on foreign life insurance policies* before you can fill in boxes 43 to 45.

In some cases, the insurer may have sent you more than one certificate relating to a particular gain, with the later certificate showing a revised figure of benefits paid or amount of chargeable event gain. In this case, you should use the details on that later certificate.

If you have made gains from more than one identical policy, you can add them together and treat them as one policy. But if you have made gains from more than one policy, and they are not identical, you will need to give details in the 'Any other information' box on your tax return, following the advice in Helpsheet 321.

If you have not received a certificate from your insurer showing the chargeable event gain you will need Helpsheet 321 to help you fill in these boxes.

Box 46 ***If you have omitted income from boxes 11, 13 and 42 because you are claiming an exemption in relation to a transfer of assets, enter the total amount omitted***

The provisions described at boxes 10 to 13 and 42 do not apply if you can show from all the circumstances that none of the purposes of the transfer and any associated operations was to avoid tax. But an exemption is only due if actual income would otherwise be chargeable. If you omit income for this reason from boxes 11, 13 and 42, you **must** enter the total amount of income you have omitted in box 46. You **must** also provide relevant details and an explanation in the 'Any other information' box of your tax return, or on a separate schedule, including details of the assets transferred and any associated operations, the person abroad concerned, the circumstances of the relevant transactions and the basis for your claim to exclusion. Helpsheet 262 *Income and benefits from transfers of assets abroad and income from non-resident trusts* provides further information.

Country or territory list

A '√' in the second column of the list below, shows that the UK has a Double Taxation Agreement (DTA) covering the named country or territory.

Country or territory	DTA	3-letter code
Afghanistan		AFG
Albania		ALB
Algeria		DZA
American Samoa *See Note G*		ASM
Andorra		AND
Angola		AGO
Anguilla		AIA
Antigua and Barbuda	√	ATG
Argentina	√	ARG
Armenia		ARM
Aruba		ABW
Australia	√	AUS
Austria	√	AUT
Azerbaijan	√	AZE
Bahamas		BHS
Bahrain		BHR
Bangladesh	√	BGD
Barbados	√	BRB
Belarus *See Note A*	√	BLR
Belgium	√	BEL
Belize	√	BLZ
Benin		BEN
Bermuda		BMU
Bhutan		BTN
Bolivia	√	BOL
Bonaire *See Note K*		BES
Bosnia and Herzegovina *See Note B*	√	BIH
Botswana	√	BWA
Brazil		BRA
British Virgin Islands		VGB
Brunei Darussalam	√	BRN
Bulgaria	√	BGR
Burkino Faso		BFA
Burma (also known as Myanmar)	√	MMR
Burundi		BDI
Cambodia		KHM
Cameroon		CMR
Canada	√	CAN
Cape Verde		CPV
Cayman Islands		CYM
Central African Republic		CAF

Country or territory	DTA	3-letter code
Chad		TCD
Chile	√	CHL
China	√	CHN
Christmas Island *See Note D*	√	CXR
Cocos (Keeling) Islands *See Note D*	√	CCK
Colombia		COL
Comoros		COM
Congo		COG
Cook Islands		COK
Costa Rica		CRI
Côte d'Ivoire	√	CIV
Croatia *See Note B*	√	HRV
Cuba		CUB
Curaçao *See note J*		CUW
Cyprus	√	CYP
Czech Republic *See Note C*	√	CZE
Democratic Republic of the Congo (formerly Zaire)		COD
Denmark	√	DNK
Djibouti		DJI
Dominica		DMA
Dominican Republic		DOM
Ecuador		ECU
Egypt	√	EGY
El Salvador		SLV
Equatorial Guinea		GNQ
Eritrea		ERI
Estonia	√	EST
Ethiopia		ETH
Falkland Islands	√	FLK
Faroe Islands	√	FRO
Fiji	√	FJI
Finland	√	FIN
France	√	FRA
French Guiana *See Note E*	√	GUF
French Polynesia *See Note F*		PYF
Gabon		GAB
Gambia	√	GMB
Georgia	√	GEO
Germany	√	DEU
Ghana	√	GHA
Gibraltar		GIB

Country or territory	DTA	3-letter code
Greece	√	GRC
Greenland		GRL
Grenada	√	GRD
Guadeloupe *See Note E*	√	GLP
Guam *See Note G*		GUM
Guatemala		GTM
Guernsey	√	GGY
Guinea		GIN
Guinea-Bissau		GNB
Guyana	√	GUY
Haiti		HTI
Honduras		HND
Hong Kong (SAR)		HKG
Hungary	√	HUN
Iceland	√	ISL
India	√	IND
Indonesia	√	IDN
Iran		IRN
Iraq		IRQ
Ireland (Republic of)	√	IRL
Isle of Man	√	IMN
Israel	√	ISR
Italy	√	ITA
Jamaica	√	JAM
Japan	√	JPN
Jersey	√	JEY
Jordan	√	JOR
Kazakhstan	√	KAZ
Kenya	√	KEN
Kiribati	√	KIR
Kuwait	√	KWT
Kyrgyzstan		KGZ
Laos		LAO
Latvia	√	LVA
Lebanon		LBN
Lesotho	√	LSO
Liberia		LBR
Libya	√	LBY
Liechtenstein		LIE
Lithuania	√	LTU
Luxembourg	√	LUX
Macao (SAR)		MAC
Macedonia (FYR)	√	MKD
Madagascar		MDG

Country or territory	DTA	3-letter code
Malawi	√	MWI
Malaysia	√	MYS
Maldives		MDV
Mali		MLI
Malta	√	MLT
Marshall Islands		MHL
Martinique *See Note E*	√	MTQ
Mauritania		MRT
Mauritius	√	MUS
Mayotte *See Note F*		MYT
Mexico	√	MEX
Micronesia		FSM
Moldova	√	MDA
Monaco		MCO
Mongolia	√	MNG
Montenegro *See Note B*	√	MNE
Montserrat	√	MSR
Morocco	√	MAR
Mozambique		MOZ
Namibia	√	NAM
Nauru		NRU
Nepal		NPL
Netherlands	√	NLD
Netherlands Antilles *See Note L*		ANT
New Caledonia *See Note F*		NCL
New Zealand	√	NZL
Nicaragua		NIC
Niger		NER
Nigeria	√	NGA
Niue		NIU
Norfolk Island *See Note D*	√	NFK
North Korea		PRK
Northern Mariana Islands *See Note G*		MNP
Norway	√	NOR
Oman	√	OMN
Pakistan	√	PAK
Palau		PLW
Panama		PAN
Papua New Guinea	√	PNG
Paraguay		PRY
Peru		PER
Philippines	√	PHL
Pitcairn Island		PCN
Poland	√	POL

Country or territory	DTA	3-letter code
Portugal	√	PRT
Puerto Rico *See Note G*		PRI
Qatar		QAT
Reunion *See Note E*	√	REU
Romania	√	ROU
Russian Federation	√	RUS
Rwanda		RWA
St. Helena and Dependencies		SHN
St. Kitts and Nevis	√	KNA
St. Lucia		LCA
St. Pierre and Miquelon *See Note F*		SPM
St. Vincent and the Grenadines		VCT
Saba *See Note K*		BES
Samoa		WSM
San Marino		SMR
Sao Tome and Principe		STP
Saudi Arabia	√	SAU
Senegal		SEN
Serbia *See Note B*	√	SRB
Seychelles		SYC
Sierra Leone	√	SLE
Singapore	√	SGP
Sint Eustatius *See note K*		BES
Sint Maarten (Dutch part) *See note J*		SXM
Slovak Republic *See Note C*	√	SVK
Slovenia	√	SVN
Solomon Islands	√	SLB
Somalia		SOM
South Africa	√	ZAF
South Korea	√	KOR
Spain	√	ESP
Sri Lanka	√	LKA
Sudan	√	SDN
Suriname		SUR
Svalbard and Jan Mayen Islands *See Note H*		SJM

Country or territory	DTA	3-letter code
Swaziland	√	SWZ
Sweden	√	SWE
Switzerland	√	CHE
Syria		SYR
Taiwan	√	TWN
Tajikistan *See Note A*	√	TJK
Tanzania		TZA
Thailand	√	THA
Timor-Leste		TLS
Togo		TGO
Tokelau		TKL
Tonga		TON
Trinidad and Tobago	√	TTO
Tunisia	√	TUN
Turkey	√	TUR
Turkmenistan *See Note A*	√	TKM
Turks and Caicos Islands		TCA
Tuvalu	√	TUV
Uganda	√	UGA
Ukraine	√	UKR
United Arab Emirates		ARE
United Kingdom		GBR
United States of America	√	USA
United States Virgin Islands *See Note G*		VIR
Uruguay		URY
Uzbekistan	√	UZB
Vanuatu		VUT
Vatican		VAT
Venezuela	√	VEN
Vietnam	√	VNM
Wallis and Futuna Islands *See Note F*		WLF
Yemen		YEM
Zambia	√	ZMB
Zimbabwe	√	ZWE
None of the above *See Note M*		ZZZ

Notes

A

Entitlement continues under the Double Taxation Agreement the UK had with the former Soviet Union until such time as a new Double Taxation Agreement takes effect.

B

Entitlement continues under the Double Taxation Agreement the UK had with the former Yugoslavia until such time as a new Double Taxation Agreement takes effect.

C

Entitlement generally continues under the Double Taxation Agreement the UK had with the former Czechoslovakia.

D

These territories are part of Australia, in a geographical sense, for the purposes of the Double Taxation Agreement between the UK and Australia. However, the validity of any particular claim under the Double Taxation Agreement could depend on you being a resident of Australia for Australian tax purposes.

E

These territories are 'departements d'outre-mer' and are therefore an integral part of France for the purposes of the Double Taxation Agreement between the UK and France.

F

These territories are not covered by the Double Taxation Agreement between the UK and France.

G

These territories are not covered by the Double Taxation Agreement between the UK and the United States of America.

H

The Kingdom of Norway includes these territories, but they are not part of Norway for the purposes of the Double Taxation Agreement between the UK and Norway.

J

The Netherlands Antilles was dissolved with effect from 10 October 2010, at which time these islands became constituent countries of the Kingdom of the Netherlands. Saint Martin (French part) is an overseas collectivity of France and one of the European Union's outermost regions (OMR).

K

The Netherlands Antilles was dissolved with effect from 10 October 2010, at which time these islands became public bodies, or special municipalities, of the Kingdom of the Netherlands. They remain overseas countries and territories (OCT) of the European Union.

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L

Refer to Notes J and K.

M

Please give details in the 'Any other information' box on your tax return to cover the ZZZ entry 'None of the above'.