HM Revenue & Customs

UK property notes

Tax year 6 April 2012 to 5 April 2013

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Fill in the *UK property* pages if, in the year to 5 April 2013, you received:

- rental income and other receipts from UK land and/or property
- income from letting furnished holiday accommodation in the UK or European Economic Area (EEA)
- premiums arising from leases of UK land
- an inducement to take an interest in any property for letting (a reverse premium).

But use the *Self-employment* pages for any income from:

- canals, inland navigations and docks
- mines and quarries, including sandpits, gravel pits and brickfields
- rights of markets and fairs, tolls, bridges and ferries
- farming, market gardening or other commercial occupation of land
- hotels and guest houses
- letting furnished accommodation in your home that amounts to a trade, for example, if you run a guest house or offer bed and breakfast, rather than just taking in a lodger
- way leaves if the land to which the way leave relates is used in your trade.

Use other pages of your tax return for any income from:

- way leaves if the land to which the way leave relates is used neither in your trade nor in your property rental business (box 16 on page TR 3)
- post-cessation receipts (that is rental income received after the property rental business has ceased, which has not previously been taxed) (box 14 on *Additional information* page Ai 1)
- Real Estate Investment Trusts (REITs) and Property Authorised Investment Funds (PAIFs) dividends and distributions (box 16 on page TR 3).

If you are not sure whether you should be completing the *UK property* pages or the *Self-employment* pages, please contact us.

Use the *Foreign* pages for income from land or property overseas, except for EEA furnished holiday letting income, which should be entered on the *UK property* pages. However, where furnished holiday letting income is taxable on the remittance basis please use the *Foreign* pages, the *notes* to the *Foreign* pages and Helpsheet 264 *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.

If you wish to claim Foreign Tax Credit Relief for any foreign tax paid on your EEA furnished holiday lettings, you should fill in the section headed 'Foreign tax paid on employment, self-employment and other income' on page F 6 of the *Foreign* pages.

If you receive property income as part of your income from a partnership, use the *Partnership (full)* pages.

You may need to fill in the *Capital gains summary* pages if you have sold or disposed of a property from which you had received property rental income.

Accounts

If you prepare accounts for your property income and they were drawn up to 5 April 2013, transfer the figures to the appropriate boxes on the *UK property* pages. If they were drawn up to any other date, you will have to apportion the figures in the sets of accounts that between them cover the year 6 April 2012 to 5 April 2013.

If you have been told that you are within the Managing Deliberate Defaulters (MDD) programme you should fill in all applicable boxes on pages UKP 1 and UKP 2 apportioning the figures as necessary. If you have been told that you are the subject of the additional reporting requirements you must also prepare accounts. Send a copy of the detailed profit and loss account, balance sheet and computations for the year to 5 April 2013 with your tax return, identifying and explaining 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.

UK property details

Box 2 *If all property income ceased in 2012–13 and you do not expect to receive such income in 2013–14*

If any property has been sold this year, please consider if you need to complete the *Capital gains summary* pages, which you can download from **hmrc.gov.uk/sa108.pdf**

Box 3 *If you have any income from property let jointly*

If you own and let property jointly with one or more other people, include only your share of the income and your share of the expenses. But if you receive notice of your share of the income (or loss) only after expenses, just enter the income in box 5 or box 20, or the loss in box 9 or box 29 as appropriate. Please enter the name and address of the person who prepares the property records in the 'Any other information' box, box 19, on your tax return.

If you and your spouse live together, any income from property held in joint names is usually treated as if it belonged to the two of you in equal shares (even if you own it in unequal shares) so you will each be taxed on half of the income. However, if you are entitled to the income in proportion to your share, you may make an election on form 17 to be taxed on the actual basis. Please contact us if you want to make an election. Civil partners who registered a civil partnership on or after 5 December 2005 are treated the same as married couples.

Box 4 *If you are claiming Rent a Room relief and your rents are £4,250 or less*

If you let a furnished room or rooms in your own home (excluding a room used exclusively as an office) and your total income was less than the Rent a Room exemption, £4,250 (or £2,125 if let jointly), put 'X' in the box. 'Total income' means the rents for the year to 5 April 2013 plus any income from services you provided. If that is your only letting income, that is all you have to do on the *UK property* pages.

But, if your total income from this sort of letting was more than £4,250 you can choose between:

- paying tax just on the excess over £4,250 (or £2,125 if let jointly) – without taking off any expenses. If so, include your total income in box 20

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and the exempt amount (£4,250, or £2,125 if let jointly) in box 37, or

- calculating your profit from letting in the usual way – that is, total income (included in box 20) minus allowable expenses (boxes 24 to 29), leaving box 37 blank. You may want to do this if, for instance, you have made a loss.

The Rent a Room scheme is described in more detail in Helpsheet 223 *Rent a Room for traders*.

Furnished holiday lettings (FHL) in the UK or EEA

The following notes apply where the property income is not on the remittance basis.

There are special rules for properties that are let as furnished holiday accommodation. These rules allow you to claim capital allowances on, for example, furniture and fixtures that you can't normally claim for in a dwelling house and also get the benefit of certain capital gains tax reliefs. You have to work out the profit or loss from furnished holiday lettings separately to see if you can take advantage of these special rules.

For a property to qualify as a furnished holiday letting property it must be in the UK or EEA and, for 2012–13:

- available for holiday letting on a commercial basis for 210 days or more during the year
- actually let commercially as holiday accommodation for 105 days or more during the year.

Please note that the number of days available for letting and actually let has been revised for 2012–13.

There are other rules on long term lets. If you think your property may qualify as a furnished holiday let, please read Helpsheet 253 *Furnished holiday lettings* which tells you about the rules in detail.

EEA businesses

If you have an FHL business in the EEA, fill in boxes 5 to 19 using the guidance below and put an 'X' in box 18. Also complete boxes 1 to 3 (ignoring the fact that the section is headed 'UK property details'). Remember to use the *Foreign* pages if you wish to claim Foreign Tax Credit Relief – see UKPN 1 of these notes.

If you have both a UK FHL business and an EEA FHL business, fill in a separate page (boxes 1 to 19 for each business) and put an 'X' in box 18 for the EEA business. Fill in boxes 1 to 3 for the UK FHL and the EEA FHL together (ignoring the fact that the section is headed 'UK property details'). If you have any other UK property income, add the details for that income to boxes 1 to 4 and also fill in boxes 20 to 43.

Box 5 *Income – the amount of rent and any income for services provided to tenants*

Enter the total income from all furnished holiday lettings in the UK or EEA – that is, the rents for the year to 5 April 2013 and any income from services you provided. If you are a non-resident landlord, furnished holiday letting income should be shown gross before deduction of tax (see boxes 9 and 21 on UKP 1 and 2).

Boxes 6 to 12

Generally, you can claim any costs incurred in earning your furnished holiday letting business profits. If your total property income in the year, including furnished holiday letting income, before expenses is less than £77,000, you do not have to list expenses separately. Instead, put the total expenses relating to your furnished holiday lettings in box 9. Although you cannot claim any capital costs – such as expenses relating to the purchase of, or improvements, additions and alterations to, land, property, equipment, furnishings or furniture – you may be able to claim capital allowances or a renewals deduction (see below and page UKPN 5 of these notes). If you include an expense under one heading when another may be equally appropriate try to be consistent from one year to the next.

Box 6 *Rent paid, repairs, insurance and costs of services provided*

Repairs

Include in box 6 expenses that prevent the property from deteriorating such as exterior and interior painting, damp treatment, stone cleaning, roof repairs, furniture repairs and repairs to any kind of machinery supplied with the property.

Renewals

If you are not claiming capital allowances, you can claim the costs of replacing furniture, furnishings and machinery supplied with your property. You can also include the costs of renewing small items such as cutlery, but if you do, you cannot claim the original costs. If you received any money for the items being replaced you should take that amount off the replacement costs. Do not claim for any element of improvement compared with the original item.

Property expenses

Include in box 6:

- any rents you pay under a lease of a property that you let as a furnished holiday letting
- business rates
- Council Tax
- water rates
- ground rents
- insurance for both the property and its contents
- costs of services you provide such as gardening, porterage, cleaning, communal hot water, etc.

Insurance against loss of rents is also an allowable cost but if you claim under your insurance policy any money you receive should be included as income in box 5. You cannot claim a wear and tear allowance in calculating the profits of your holiday lettings business. You may claim either capital allowances or a renewals deduction for your capital costs.

Box 7 *Loan interest and other financial costs*

Include:

- the costs of getting a loan or an alternative finance arrangement to buy a property that you let
- any interest on such a loan or alternative finance payments.

Box 8 *Legal, management and other professional fees*

Management fees paid to an agent to cover rent collection, advertising and similar administrative expenses can be deducted.

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The normal legal and professional fees for renewing a lease (if the lease is for less than 50 years) can be deducted. You can also deduct the professional fees incurred in evicting an unsatisfactory tenant, with a view to re-letting, or in appealing against a compulsory purchase order.

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 property purchase.

Box 9 *Other allowable property expenses*

Include in box 9 any other expenses of the holiday property rental business not included in boxes 6 to 8, such as stationery, phone, business travelling and other miscellaneous costs.

Where you are subletting the property and you (or an earlier tenant) paid a premium to your landlord when the lease was granted, you may be able to claim for part of the premium paid if the payment is taxable on your landlord as income. If you are not sure how to work out the amount you can include in box 9, please ask us or your tax adviser.

Include any foreign tax deducted on your EEA FHL income here. If you are a non-resident FHL landlord enter tax taken off your income at box 21.

Box 10 *Private use adjustment – if expenses include any amounts for non-business purposes*

Personal expenses are not allowable as a deduction so if you have included in boxes 6 to 9 any amounts that were not wholly for the business, enter the private (non-business) proportion in box 10. 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 put the full annual cost of insuring the property in box 6. If you do, you should include the four months' non-business cost in box 10. If you need any help with working out the business and private use, please contact us.

Box 11 *Balancing charges*

If during the year you dispose of (that is, sell or give away) or stop using an item in your business for which you claimed capital allowances, there may be an adjustment called a balancing charge. Helpsheet 252 *Capital allowances and balancing charges* gives details about how to work out this charge.

Box 12 *Capital allowances*

You can claim tax allowances, called capital allowances, for the cost of purchasing and improvements to vehicles and equipment such as vans, cars, tools, computers, furniture and fixtures (even if the items were purchased under hire purchase) that you use in your holiday lettings business. The costs of such items, or the depreciation on them, are not allowable as an expense in working out your taxable profits. You can claim capital allowances for plant and machinery (such as furniture and fixtures) for use in a dwelling house if you have a property business, which qualifies as a furnished holiday letting business.

From April 2012, if you purchase or sell a property which contains fixtures (such as kitchen fittings, electrical or heating systems), you must agree the part of the purchase price to be attributed to those fixtures with the other party to the sale. Normally, you should fix your mutual agreement by means of a joint election (called a 'Section 198' or 'Section 199' election), which you must notify to HMRC within two years of the date of transfer. This written election sets out the agreed value of the fixtures and gives enough information to identify buyer and seller, the fixtures and the property transferred. As a seller, the amount you can bring into any pool, as your disposal value, will be the same amount as the amount the buyer can bring in as his acquisition value for capital allowance purposes.

It is likely to be very much easier to agree the part of the purchase price to be attributed to the fixtures as part of the actual sale/purchase negotiations, when both sides have maximum negotiating power. If, exceptionally, the parties are unable to reach an agreement, then either party can refer the matter to a First Tier Tribunal, within two years, for an independent determination.

If one of the specified ways of determining the value of the fixtures in business property has not been used, then the purchaser will be unable to claim allowances on this expenditure.

If you are thinking of buying or selling or leasing a business property containing fixtures, for which capital allowances may be available, you may wish to contact your tax adviser.

You can find more information about capital allowances in the notes for boxes 31 to 34 starting on page UKPN 10 of these notes, and in Helpsheet 252 *Capital allowances and balancing charges*. Add up any amounts claimed as capital allowances and enter the total of these in box 12.

Box 13 *Adjusted profit for the year*

To work out the profit or loss, follow the instructions on the *UK property* pages or use the Working Sheet below.

Working Sheet for furnished holiday lettings profit or loss

Income *box 5*		A £
Private use adjustment *box 10*		B £
Balancing charges *box 11*		C £
Total *boxes A to C*		D £
Minus		
Expenses *box 6*	E £	
Loan interest, etc. *box 7*	F £	
Legal, management, etc. *box 8*	G £	
Other *box 9*	H £	
Capital allowances *box 12*	I £	
Total *boxes E to I*		J £
Profit or loss *box D minus box J*		K £

If box K is a profit, copy box K to box 13. If box K is a loss, copy box K to box 16.

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Furnished holiday lettings losses

Box 14 *Loss brought forward used against this year's profits*

Enter the amount of any FHL loss you made last year or in earlier years up to the level of your FHL profit for this year. If you made a loss in any other property business that is not an FHL business, you can add the loss here. See UKPN 16 of these notes for UK property losses and the *Foreign* pages, box 25, for losses on property abroad.

Box 15 *Taxable profit for the year*

Profit for the year less any losses from box 14.

Box 16 *Loss for the year*

To work out the profit or loss, follow the instructions on the *UK property* pages or use the Working Sheet on page UKPN 6. Where the expenses and any capital allowances exceed the income, any private use adjustments and any balancing charges, then the result is a loss and goes in this box.

Box 17 *Total loss to carry forward*

Add together any loss for the year and any FHL loss of earlier years not used at box 14.

Box 18 *EEA business*

If you are 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 fill in one EEA page – you don't have to use a separate page for each state.

Box 19 *Period of grace election*

If any property qualified as an FHL property in 2011–12 but does not reach the occupation threshold in 2012–13 put an 'X' in box 19. See Helpsheet 253 *Furnished holiday lettings* page 4.

Property income

If you own UK land or property which produces rents or other receipts we treat you as operating a property rental business (whether you have one or several properties).

Box 20 *Total rents and other income from property*

Enter in box 20 the total income from your property rental business excluding any UK furnished holiday lettings profit. Income includes receipts in cash or in kind. It is taxable when it is earned even if you receive it later (so any 2012–13 rental income paid after 5 April 2013 should be included). Do not include rents for the year to 5 April 2014 that have been paid in advance (during the year to 5 April 2013).

Include rental income from:
- a tenancy
- leasing or licensing agreements over your land or property
- furnished, unfurnished, commercial and domestic accommodation
- any land.

Receipts other than rent are also taxable, for example:
- rent charges and ground rents
- income from the grant of sporting rights
- income from letting others tip waste on your land

- receipts from a film crew who pay to film on your land
- income for the use of a caravan or houseboat at a fixed location
- way leaves if the land to which the way leave relates is used in your property rental business
- local authority grants towards the cost of repairs
- income from land and property in Enterprise Zone Trusts.

If you let your property furnished, any sums the tenant pays you for the use of furniture should be included here. Exclude premiums for the grant of a lease and reverse premiums (these go in boxes 22 and 23). If tax (to be entered in box 21) has been taken off any of your rental income, make sure the figure in box 20 is the amount before tax was deducted.

Box 21 *Tax taken off any income in box 20*

This box should only be completed if you are a non-resident landlord. Include any FHL tax taken off income here – see box 9.

Box 22 *Premiums for the grant of a lease*

If your property 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.

Broadly, for leases over 50 years we treat the entire premium as a capital receipt and therefore not part of your business income.

For leases up to 50 years we treat the premium as partly capital and partly income; only the income is included in box 22.

If you have assigned a lease without requiring payment there may still be a premium charge. Please contact us if you are not sure if this affects you.

Working Sheet for premiums for the grant of a lease

Premium	A	£
Number of complete periods of 12 months in the lease, ignoring the first 12 months	B	
50 minus box B	C	
Box C divided by 50	D	
Box A multiplied by box D *copy box E to box 22*	E	£

Box 23 *Reverse premiums and inducements*

Enter in box 23 any payment (or other benefit) you received as an inducement to take an interest in any property (other than your main home) for letting. (This is a 'reverse premium'.)

Property expenses

If your total property income in the year, including furnished holiday lettings income, before expenses is less than £77,000, you do not have to list expenses separately. Instead, put total expenses in box 29.

Generally, you can claim the running costs of your 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

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alterations to, land, property, equipment, furnishings or furniture. But you may be able to claim a renewals deduction – see the notes for box 25.

Box 24 *Rents, rates, insurance, ground rents etc.*

Include:
- rent you pay under a lease of a property that you let
- business rates
- Council Tax
- water rates
- ground rents
- property and contents insurance.

Insurance against loss of rents is also an allowable cost but if you claim under your insurance policy any money you receive should be included as income in box 20.

Box 25 *Property repairs, maintenance and renewals*

Repairs

Include in box 25 expenses that prevent the property from deteriorating such as:
- exterior and interior painting
- damp treatment
- stone cleaning
- roof repairs
- furniture repairs
- repairs to any kind of machinery supplied with the property.

Renewals

If you are not claiming capital allowances or the wear and tear allowance, you can claim the costs of replacing furniture, furnishings and machinery supplied with your property. You can also include the costs of renewing small items such as cutlery, but if you do, you cannot claim the original costs. If you received any money for the items being replaced you should take that amount off the replacement costs. Do not claim for any element of improvement compared with the original item.

Box 26 *Loan interest and other financial costs*

Include:
- the costs of getting a loan or an alternative finance arrangement to buy a property that you let
- any interest on such a loan or alternative finance payments.

Box 27 *Legal, management and other professional fees*

Management fees paid to an agent to cover rent collection, advertising and similar administrative expenses can be deducted.

The normal legal and professional fees for renewing a lease can be deducted if the lease is for less than 50 years. You can also deduct the professional fees incurred in evicting an unsatisfactory tenant, with a view to re-letting, or in appealing against a compulsory purchase order.

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 property purchase.

Box 28 *Costs of services provided, including wages*

If you also provide services to your tenants, such as gardening, porterage, cleaning or something like communal hot water, you can claim for the associated costs if you can demonstrate that they were for the let property. If you receive any income for the services you provide you should include this as property income.

Box 29 *Other allowable property expenses*

Include in box 29 any other expenses of the property rental business not included in boxes 24 to 28, such as stationery, phone, business travelling and other miscellaneous costs.

Where you are subletting the property and you (or an earlier tenant) paid a premium to your landlord when the lease was granted, you may be able to claim for part of the premium paid if the payment is taxable on your landlord as income. If you are not sure how to work out the amount you can include in box 29, please ask us or your tax adviser.

Calculating your taxable profit or loss

Box 30 *Private use adjustment*

Personal expenses are not allowable as a deduction, so if you have included in boxes 24 to 29 any amounts that were not wholly for the property rental business, enter the private proportion in box 30. 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 put the full annual cost of insuring the property in box 24. If you do, you should include the four months' cost in box 30. If you need any help with working out the business and private use, please contact us or your tax adviser.

Boxes 31 to 34 *Capital allowances*

You cannot deduct the cost of buying, altering, building, installing or improving 'fixed' assets such as property, equipment or machinery. Nor can you claim depreciation or losses when such assets are disposed of. Instead, you can claim tax allowances, called capital allowances, for the cost of purchasing vehicles and equipment such as vans, cars, tools, computers and business furniture (even if the items were purchased under hire purchase) that you use in your property rental business. But you **cannot** claim capital allowances for plant or machinery (such as furniture and fixtures) for use in a dwelling house if you have a property business, unless it qualifies as a furnished holiday letting business. There are several different types of capital allowances – see the notes for boxes 32 to 34.

Please see the notes under box 12 ('Capital allowances') on page UKPN 5, about the need for a buyer and seller of a second-hand property to formally agree the value of any fixtures on a sale/purchase of a property from April 2012 onwards. If a buyer and seller fail to do this, the buyer will be unable to claim capital allowances on those fixtures. If you are thinking of buying or selling or leasing a business property containing fixtures, for which capital allowances may be available, you may wish to contact your tax adviser.

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The notes below only apply if you have a 'standard' 12-month accounting period and summarise the allowances available. If your accounting period is shorter or longer than a year, or began before 6 April 2012, or if you want to know more about capital allowances, please refer to Helpsheet 252 *Capital allowances and balancing charges* (which includes worked examples), or contact us or your tax adviser.

Business and private use

Where you use an item of equipment for both business and private purposes, the allowances you claim should be reduced by the amount of your private use. To do this, calculate the capital allowances due for each item, which has any private use, separately using a 'single asset pool' and reduce the allowances you claim by the private use proportion (see Example 1 on page UKPN 12 of these notes).

Box 31 *Balancing charges*

If, during the year you dispose of (that is, sell or give away) or stop using an item in your business for which you claimed capital allowances, there may be an adjustment called a balancing charge. Helpsheet 252 *Capital allowances and balancing charges* gives details about how to work out this charge.

If you had a property that qualified for Business Premises Renovation Allowance (see the note for box 33) and within a period of seven years from the date the property was used or made available for letting:
- the premises are sold, or
- a long lease is granted for a capital sum, or
- the premises cease to be used for business activities, or
- the premises are demolished or destroyed, or
- the person who incurred the renovation costs dies, and
- the proceeds from that disposal referable to the renovation or conversion exceed any balance of unrelieved expenditure

a balancing charge will arise. The amount of that charge will be the proceeds referable to the renovations less any residue of that unrelieved expenditure (or just the proceeds if that residue is nil). You should also include the total amount of any BPRA balancing charge in box 31.

Box 32 *Annual Investment Allowance*

You can claim an Annual Investment Allowance (AIA) if you bought equipment (but not cars) during the year after 6 April 2012 up to an annual amount of £25,000 (before 6 April 2012, this amount was £100,000). Legislation will be introduced in Finance Bill 2013 to increase the maximum amount of the AIA from £25,000 to £250,000 for a temporary period of two years from 1 January 2013.

There are transitional rules to work out the maximum amount of AIA for the period 6 April 2012 to 5 April 2013 as follows.

Your maximum AIA for the period is calculated in two parts:

(a) the AIA entitlement, based on the previous £25,000 annual cap for the portion of a year falling before 1 January 2013, and

(b) the AIA entitlement, based on the new £250,000 cap for the portion of a year falling on or after 1 January 2013.

Example 1

For the chargeable period from 6 April 2012 to 5 April 2013 you calculate your maximum AIA entitlement based on:

(a) the proportion of a year from 6 April 2012 to 31 December 2012, that is, 9/12 x £25,000 = £18,750, and

(b) the proportion of a year from 1 January 2013 to 5 April 2013, that is, 3/12 x £250,000 = £62,500.

The maximum AIA for this transitional period would therefore be the total of (a) + (b) = £18,750 + £62,500 = £81,250. However, in relation to period (a), no more than a maximum of £25,000 (which was the maximum AIA claimable for the period before the increase to £250,000) of expenditure can be claimed as AIA.

Where you use an item of equipment for both business and private purposes, the AIA claimed has to be reduced by the private use proportion.

For more information about capital allowances and balancing charges go to **hmrc.gov.uk/helpsheets/hs252.pdf**

Example 2

Gordon buys some tools for £5,000 and a van costing £10,000. The tools are used only for the business. The van is used 60% for business and 40% for private motoring. As the total cost is less than his maximum AIA for the period, Gordon might be able to claim the full amount as AIA, if both the tools and the van were used solely for business purposes.

However, because the van is in fact used 40% for private purposes, Gordon must restrict the amount of AIA that he claims on the van to reflect his private use. This means that the AIA he can claim for the van is £6,000 (£10,000 less 40% private use). His total AIA claim is £11,000 (£5,000 for the tools plus £6,000 for the van).

Enter the total amount of AIA claimed in box 32.

Box 33 *Business Premises Renovation Allowance (BPRA)*

The BPRA scheme took effect from 11 April 2007. From that date, until 5 April 2017, if you carry out conversion, renovation work to a building in an Assisted Area which has been unused for at least a year before the works start and which brings it back into business use, or makes it ready for such re-use, you are entitled to claim a 100% allowance for the capital costs incurred, subject to certain rules.

More information about BPRA and the conditions you must satisfy to claim the allowance are given in the Capital Allowances Manual (CA45000 onwards) at **hmrc.gov.uk/manuals/camanual**

BPRA cannot be claimed:

- if the renovation expenditure has been incurred on any residential property, or
- on the costs of acquiring the land or building, extending the building, or developing land next to the business premises.

Box 34 *All other capital allowances*

You may also be entitled to other types of capital allowances depending on the cost, type of asset, and qualifying conditions, such as:

- 18% writing down allowance (WDA)
- 8% writing down allowance (WDA)
- 'small pools' WDA, instead of 18% or 8% WDAs, if the balance in the main or special rate pool is £1,000 or less
- 100% capital allowances for certain qualifying expenditure

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- restricted annual allowance for cars costing more than £12,000 bought before 6 April 2009.

Enter the total of any of these capital allowances in box 34.

The notes below and Helpsheet 252 *Capital allowances and balancing charges* give more information on these allowances.

18% writing down allowance

Where you have spent more than the maximum amount of Annual Investment Allowance (AIA) for a year on equipment, or (on or after 6 April 2009) you have purchased a car with CO_2 emissions of 160g/km or less, add all the expenditure together to make a 'main pool' of costs. Deduct any AIA up to the maximum amount (excluding any expenditure on cars). If you have a main pool from the previous year, add the value of that pool to the amount in the main pool you have left after deducting AIA. Deduct the value of any disposals you have made during the year.

You can then claim a writing down allowance of 18% of the remaining pool value (unless the expenditure is a 'special rate' expenditure in the special rate pool – see the note for 8% writing down allowance below). For cars bought before 6 April 2009 see page UKPN 13 of these notes.

8% writing down allowance

Some items will only be eligible for writing down allowance at 8% and these items go into a separate 'special rate' pool. The most common items are cars purchased on or after 6 April 2009, with CO_2 emissions of over 160g/km, and certain integral features of a building or structure, such as electrical systems.

Small pools allowance

If the balance of either the main pool or the special rate pool after claiming AIA, together with any balance carried forward from any previous year, less any amount you got from disposing of equipment you no longer use (for example, by selling it) is £1,000 or less, you may claim that whole amount as a small pools allowance instead of the 18% writing down allowance in the main pool and/or the 8% writing down allowance in the special rate pool.

100% allowances

You may also be entitled to a 100% first year allowance if you have bought certain energy-saving technologies used in the property rental business. They are available for the purchase of:
- designated energy-saving and water-efficient technologies
- new unused cars with low CO_2 emissions of less than 110g/km
- equipment for refuelling vehicles with natural gas, biogas or hydrogen fuel
- from 6 April 2011, new unused zero-emission goods vehicles.

For more information go to **www.eca.gov.uk**

You may also be able to claim 100% allowances for converting empty or underused space above shops and other commercial premises to flats for renting.

Short life assets

The short life asset (SLA) rules let you write off the cost of an asset over its life in your business. This is done by putting the expenditure in a single asset pool and having a balancing adjustment when the asset is disposed of or scrapped. Some assets are excluded from SLA treatment (for example, cars, assets used partly for non-business use and special rate items).

If you decide to use this treatment you must let us know in writing no later than the first anniversary of 31 January following the end of the tax year in which you acquired the item. For example, if you bought a computer in the accounting period ended 31 July 2012, you must make the election by 31 January 2015. You cannot withdraw an election once it has been made.

Expenditure on a SLA goes into a single asset pool. No other expenditure goes in that pool. If there has not been a final chargeable period by the cut-off time in the rules, the expenditure in the SLA pool is transferred to the main pool.

For expenditure incurred before 6 April 2011 there was a four year cut-off. The four year cut-off is the fourth anniversary of the end of the chargeable period in which the qualifying expenditure on the asset was incurred.

For expenditure incurred on or after 6 April 2011 there is an eight year cut-off. The eight year cut-off is the eighth anniversary of the end of the chargeable period in which the asset was incurred.

Cars

Restricted annual allowance for cars costing more than £12,000 bought before 6 April 2009

If you bought a car costing more than £12,000 before 6 April 2009, you cannot claim more than £3,000 writing down allowance in any one year for it. The 18% writing down allowance has to be restricted to a maximum of £3,000, which is further reduced if there is any private use of the car (see below). Each car costing more than £12,000 is put in a separate 'car pool' and a separate calculation is made for each one. You should continue to do this for as long as you own the car, or until 6 April 2014.

Example 3

In January 2009 Joe bought a car for more than £12,000. The car was used 60% for business and 40% for private motoring. Cars do not qualify for AIA. The car did not go into the main pool because it was bought before 6 April 2009 and cost more than £12,000 and it also had private use so it was put into its own single asset pool. Because the car cost more than £12,000, Joe can only claim capital allowances up to £3,000 (not 18% of its value if that would be more than £3,000). At the start of 2012–13 the value brought forward in the single asset (car) pool is £16,000.

2012–13	Car pool	Allowance
Value of car brought forward	£16,000	
Annual allowance (£16,000 x 18% (£3,200) restricted to £3,000)	£3,000	£1,800 (60%)
Value carried forward	£13,000	

Because Joe used the car 40% for private purposes, the £3,000 is restricted to the 60% business use proportion, or £1,800.

Cars bought on or after 6 April 2009

For cars bought on or after 6 April 2009 the allowances you can claim depend on the car's carbon dioxide (CO_2) emissions. Cars with CO_2 emissions:

- over 160g/km should be put into the special rate pool and will be eligible for writing down allowance at 8%
- of 160g/km or less should go into the main pool and will be eligible for writing down allowance at 18%

Contacts

To download the form and related helpsheets go to:
hmrc.gov.uk/sa105

For further information about Self Assessment go to:
hmrc.gov.uk/sa or
hmrc.gov.uk/sacontactus

- of 110g/km or less if bought new and unused qualify for a 100% first year allowance, if bought second hand they go in to the main pool and are eligible for allowances at 18%.

Private use

If you have a car which you use for business and for private use, the cost or value of it has to go into a separate single asset pool. Calculate the appropriate allowances due (but not AIA) depending on when the car was bought, the cost and (if the car was bought after 5 April 2009) the CO_2 emissions. You must then reduce the allowances to the business use proportion.

You can find more information about capital allowances for cars and worked examples in Helpsheet 252 *Capital allowances and balancing charges*.

Box 35 *Landlord's Energy Saving Allowance*

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

in residential let property (excluding a property on which you are claiming the Rent a Room exempt amount or a property that is used for furnished holiday letting). 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 36 *10% wear and tear allowance*

If you let any furnished residential accommodation (other than as a 'furnished holiday letting') you cannot claim capital allowances on any machines, furniture or furnishings supplied, nor on any fixtures that are part of the dwelling house. Instead, you may claim a renewals deduction for the renewal of all such items in box 25 (renewals). Or, you may elect for a 10% wear and tear allowance by making an entry in box 36. But you cannot have 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 Council Tax).

Box 37 *Rent a Room exempt amount*

If you have included any Rent a Room income in box 20, enter in box 37 the Rent a Room exempt amount you are claiming (either £4,250 or £2,125, if the property is let jointly). See the notes on page UKPN 2.

Box 38 *Adjusted profit for the year*

To work out the adjusted profit, use the Working Sheet on page UKPN 17 of these notes.

Box 39 *Loss brought forward used against this year's profits*

Enter in box 39 any loss brought forward from the year ending 5 April 2012, that you want to reduce your profits. This would have been entered in box 43 of your 2011–12 *UK property* pages. Exclude any amount brought forward that you are now setting against total income for 2012–13. Enter this in box 42 provided you satisfy the conditions for set-off. If you have losses that are brought forward and no profit in box 38 but do have an FHL profit, see the Working Sheet notes on page UKPN 17.

Box 40 ***Taxable profit for the year***

If you have a profit in box 38, you should deduct any losses brought forward from earlier years (box 39) to get your taxable profit for the year. If box 39 is greater than box 38 leave box 40 blank. Include the balance of this loss, after subtracting the profits, in box 42.

Box 41 ***Adjusted loss for the year***

To work out the adjusted loss, use the Working Sheet on page UKPN 17.

Box 42 ***Loss set off against 2012–13 total income***

You can only set off the loss in box 41 against total income if:

- the loss is due to certain agricultural expenses and your property rental business includes land used for agricultural purposes (see Helpsheet 251 *Agricultural land*), or
- the loss arises as a result of claims to capital allowances (and your capital allowances in boxes 32 to 34 exceed your balancing charges in box 31).

If the loss in box 41 includes a loss set against FHL profits, please make sure that you only set off the loss due to agricultural expenses or capital allowances, not that relieved against FHL.

The loss that may be set off is limited to the lowest of:

- boxes 32 to 34 minus box 31, or
- the loss in box 41 (as reduced by any set-off against FHL profits), or
- the amount of your other income.

Enter in box 42 the amount you want to set off together with the amount of any similar loss brought forward from last year (see the notes to box 39).

Box 43 ***Loss to carry forward to following year, including unused losses brought forward***

Box 43 will contain any remaining losses not set-off in any other way. If you entered a profit in boxes 38 and 40 there are no losses to carry forward.

Add the figure in box 41 (or box Q of the Working Sheet if appropriate) to any unused losses brought forward in box 39 from earlier years, where you have no entry in box 42. Enter the figure in box 43.

If you entered a profit in box 38 and left box 40 blank, enter in box 43 the balance of the loss brought forward (box 39 minus box 38).

If you entered a loss in box 41, deduct any part of this loss set off against total income in box 42 (together with any entry in box P, if appropriate) and add the result to the losses brought forward in box 39. Enter the total in box 43.

Contacts

To download the form and related helpsheets go to:
hmrc.gov.uk/sa105

For further information about Self Assessment go to:
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hmrc.gov.uk/sacontactus

Working Sheet for box 38 or box 41

Total rents *box 20*			A	£
Premiums for the grant of a lease *box 22*			B	£
Reverse premiums and inducements *box 23*			C	£
Private use adjustment *box 30*			D	£
Balancing charges *box 31*			E	£
Total *boxes A to E*			F	£
Minus				
Expenses *boxes 24 to 29*	G	£		
Capital allowances *box 32 + box 34*	H	£		
Business Premises Renovation Allowance *box 33*	I	£		
Landlord's Energy Saving Allowance *box 35*	J	£		
10% wear and tear allowance *box 36*	K	£		
Rent a Room exemption *box 37*	L	£		
Total *boxes G to L*			M	£

Box N is not being used

Adjusted profit or loss *box F minus box M*	O	£

If box O is a profit, copy box O to box 38. If box O is a loss, copy box O to box 41. However if you have FHL profits for the year - see below.

Where you have furnished holiday lettings (FHL) profits

If you have UK FHL business profits (see UKPN 6 of these notes) enter any loss shown in box O, up to the level of the FHL profit, at box 14 or add to it any FHL losses brought forward, up to the level of the FHL profit. If you have any losses from earlier years (see box 39) you can also set these against any unused FHL profits.

Loss deducted from UK FHL profits	P	£
Reduced loss for year *box O minus box P*	Q	£

Information

- Go to **hmrc.gov.uk/contactus**
- Phone the SA Helpline on **0845 9000 444.**
- Phone the SA Orderline on **0845 9000 404** for paper copies of the helpsheets and forms.