HM Revenue & Customs

Partnership UK property notes

Tax year 6 April 2011 to 5 April 2012

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

Contents

Helpsheets

The helpsheets listed below give more detailed information about the tax rules for land and property and are available from our website. Go to **www.hmrc.gov.uk** and look for:
- Helpsheet 251 *Agricultural land*
- Helpsheet 252 *Capital allowances and balancing charges*

within the *Search* facility.

Filling in the *Partnership UK property* pages

The *Partnership UK property* pages apply both to rental businesses with numerous properties, and to partnerships with one property to rent.

Please gather together your records of rent received and expenses.

Complete these pages if the partnership has:
- rental income and other receipts from land and property in the UK
- chargeable premiums arising from leases of land in the UK
- furnished holiday lettings in the UK or EEA
- a reverse premium.

Use the *Partnership foreign* pages for income from land or property overseas, except for furnished holiday lettings income from properties in the European Economic Area (EEA). You can download the *Partnership foreign* pages from our website or ask the SA Orderline for a copy.

There are certain receipts that arise out of the use of land that should not be included in these pages. If the partnership runs the following type of business you must fill in the *Partnership trading* pages:
- canals, inland navigations and docks
- mines and quarries, including sand pits, gravel pits and brickfields
- rights of markets and fairs, tolls, bridges and ferries.

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

If the partnership owns property which is let as a furnished holiday letting in the UK or EEA, follow the guidance starting on page PLN 2. If the partnership lets property other than furnished holiday lettings you should follow the guidance starting on page PLN 5 about other taxable income from land and property in the UK. Everyone who fills in the *Partnership UK property* pages should read the general guidance on page PLN 2.

Return period

Boxes 1.1 and 1.2

For all partnerships (except investment partnerships other than 'CT Partnerships' – see page PLN 2) the *Partnership UK property* pages should be completed for the profits of the partnership's rental business for

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SA Orderline
0845 9000 404

its accounting period(s) ended in the tax year 2011–12. In these circumstances the dates shown in boxes 1.1 and 1.2 should be the same as those you have entered in boxes 3.4 and 3.5 on page 2 of the Partnership Tax Return.

Return period for investment partnerships

Where, exceptionally, a partnership does not carry on a trade or profession, the *Partnership UK property* pages should be completed for the profits of the rental business in the period 6 April 2011 to 5 April 2012, unless the partnership is a 'CT Partnership' (see page PTRG 5 of the Partnership Tax Return Guide).

If accounts are made up for any other period you should apportion figures in the sets of accounts that between them cover the period 6 April 2011 to 5 April 2012 (if apportionment gives a reasonable approximation of the actual figures for that period), or provide the actual figures themselves.

Enter '6/4/2011' in box 1.1 and '5/4/2012' in box 1.2.

More than one accounting period

Where a Partnership Tax Return is required for the accounting period ended in the period 6 April 2011 to 5 April 2012 and there is more than one such accounting period, you may have to complete more than one set of *Partnership UK property* pages. (Read the notes on page PTRG 10 of the Partnership Tax Return Guide.)

Providing details of income and expenditure

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

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

Make sure that you transfer all the entries in your accounts and that you include them once only.

If the partnership does not have accounts, you should fill in the pages bearing in mind that the taxable profit should be worked out using generally accepted accounting practice. If you need help, ask us or your tax adviser.

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

Furnished holiday lettings (FHL) in the UK or EEA

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

If the partnership has furnished holiday lettings, start by filling in the first of the *Partnership UK property* pages. Then fill in the second page. Details of other rental and business income and expenses go on the second page (see the notes on page PLN 5).

What is a furnished holiday letting?

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

- furnished, and
- available for holiday letting to the public on a commercial basis for 140 days or more during the year (the availability condition), and
- actually let commercially as holiday accommodation for 70 days or more during the year (the letting condition).

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

EEA businesses

If you have an FHL business in the EEA, complete boxes 1.3 to 1.20 following the guidance below and put an 'X' in box 1.19. If you have both a UK FHL business, and an EEA FHL business, complete a separate page for each business and put an 'X' in box 3.19 for the EEA business.

Box 1.3 *Income from furnished holiday lettings*

Enter the gross amount of income arising from properties that qualify as holiday lettings in the UK or EEA in box 1.3. This includes all the rents that relate to the year ended 5 April 2012 and any monies obtained from the provision of any services to tenants. Non-resident landlords should show income here before deduction of tax. The tax will be included at box 1.20.

Expenses

If the partnership's total property income in the year, including furnished holiday letting income, before expenses is less than £73,000 annually, you do not have to list expenses separately. Instead, put total expenses in box 1.9.

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

Non-allowable expenses

- A partner's personal expenses (see the notes about box 1.12 on page PLN 5).
- Capital costs, such as expenses relating to the purchase of the land or property it intends to let, or the cost of purchasing machinery, furnishings or furniture.
- Any loss made on the sale of a property.

Allowable expenses

- In general any costs incurred for the sole purpose of earning business profits.
- You may be able to claim capital allowances or a renewals deduction on the cost of buying a capital asset.

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

Box 1.4 *Rent, rates, insurance, ground rents, etc.*

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

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

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

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

Box 1.5 *Repairs, maintenance and renewals*

Repairs and maintenance

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

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

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

Renewals

You can claim as an expense the cost of replacing furniture, furnishings and machinery supplied with the partnership's property where capital allowances are not claimed. You can include the renewal of small items such as knives and forks.

If you opt for a renewals deduction you may deduct the cost of replacing any such equipment, but not the cost of the original purchase. Deduct from the replacement cost any sum received for the item you have scrapped or sold. Also deduct any part of the replacement cost that represents an improvement or addition to the original item.

Enter the total of any such expenses on renewals (and repairs and maintenance) incurred in the period for all the properties in your business in box 1.5. If you are in doubt about what sum to claim as a renewal, ask us or your tax adviser.

Box 1.6 *Finance charges, including interest*

Include expenses that relate to the financial side of the rental business in box 1.6. Costs incurred in obtaining a loan or an alternative finance arrangement to buy a property that is let are allowable as a deduction. So is any interest incurred on the loan or alternative finance payments under an alternative finance arrangement. An alternative finance payment is the charge made by your finance provider over and above the original cost of the asset in the alternative finance arrangement. If you are unsure whether any financial cost is allowable as a deduction, ask us or your tax adviser.

Box 1.7 *Legal and professional costs*

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

Non-allowable expenses
Expenses in connection with the first letting or subletting of a property for more than one year. These include, for example, legal expenses (such as the cost of drawing up the lease), agents' and surveyors' fees and commission.
Any proportion of the legal, etc. costs that relates to the payment of a premium on the renewal of a lease.
Fees incurred in obtaining planning permission, or on the registration of title when buying a property.

Allowable expenses
Expenses for the let of a year or less.
Management fees relating to the ongoing costs of letting (for example, rent collection, etc.).
The normal legal and professional fees incurred on the renewal of a lease, if the lease is for less than 50 years.
Professional fees incurred evicting an unsatisfactory tenant, with a view to re-letting, or those on an appeal against a compulsory purchase order.
Professional fees in drawing up accounts.

If you are unsure whether any legal or professional fee is allowable as a deduction, ask us or your tax adviser.

Box 1.8 *Cost of services provided, including wages*

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

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

Box 1.9 *Other expenses*

Enter all expenses incurred wholly and exclusively for the purpose of the rental business that are not already included in boxes 1.4 to 1.8 in box 1.9. Examples include the costs of rent collection, advertising for tenants, travelling solely for business purposes, stationery, phone calls and other miscellaneous expenses. If you are a non-resident FHL landlord enter the tax taken off your income at box 1.22.

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

Lease premium relief

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

If you think you are entitled to a deduction for a premium paid, ask us or your tax adviser.
The amount of the allowable deduction should be entered in box 1.9. The notes for box 1.21 on page PLN 6 explain how to calculate the part of the premium taxable on the landlord as income.

Tax adjustments

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

Box 1.12 *Private use*

Private and personal expenses are not allowable. If the partnership spends money on something used only partly for its rental business and partly for a non-business reason you must either:
- enter the amount expended for business purposes in boxes 1.4 to 1.9, or
- enter the whole expenses in those boxes and in box 1.12 deduct the proportion of the cost that represents the personal use or the non-business element.

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

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

Boxes 1.13 and 1.15 *Capital allowances and balancing charges*

In working out the profit from furnished holiday lettings you must not deduct:
- the cost of buying, altering, building, installing or improving fixed assets, or
- depreciation or any losses that arise when you sell them.

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

Your tax adviser, if you have one, will tell you how to calculate capital allowances and balancing charges. If you do not have a tax adviser, or want to check your calculation, read Helpsheet 252 *Capital allowances and balancing charges*. The helpsheet is available from **www.hmrc.gov.uk/sa** or you can ask the SA Orderline for a copy.

Box 1.15A

Tick box 1.15A if box 1.15 includes enhanced capital allowances for spending on designated environmentally beneficial plant and machinery. See Helpsheet 252 *Capital allowances and balancing charges*.

Losses

Box 1.15B

For 2011–12 the losses to be entered in this box will have been allocated between the partners in the previous year. Please review your records and add the allocated losses back together and enter them in this box up to the level of the FHL profits for the year.

Box 1.18

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

Box 1.19 *EEA business*

If you 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 compete one EEA form – you don't have to use a separate page for each state.

Box 1.20 *Period of grace election*

If any property qualified as an FHL property in 2010–11 but does not reach the occupation threshold in 2011–12 put an 'X' in box 1.20. See page 4 of Helpsheet 253.

Transferring information to the Partnership Statement

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

Other property income

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

The concept of a rental business is broad. The rental profit or loss takes account of all rental and similar income, and related expenses, resulting from the exploitation of land or property in the UK. All activities by which the partnership derives income from land and property in the same capacity are treated as activities of the one business. It does not matter whether the partnership has a single property or numerous properties. All form a single business.

If the partnership receives income from way leaves and also receives rents from some or all of the land to which the way leaves relate, include the way leaves in box 1.21. If the partnership is carrying on a trade or profession, include the way leaves as part of the trading or professional income of the partnership at box 3.50 (*Partnership trading* pages). Otherwise, include the way leaves as 'Other partnership income' at box 7.44 (*Partnership savings* pages).

The guidance below tells you what income and what expenses should be included in the profits or losses of the rental business.

Income

Box 1.21 *Rents and other income from UK property*

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

Income includes receipts in cash or in kind. It is taxed when it is earned, even if the partnership does not receive the money or goods until later. Include in box 1.21 any rent the partnership receives (or will receive) after 5 April 2012 which is payment for the year ended 5 April 2012 (because it is paid in arrears). Exclude any rent received which relates to any period after 5 April 2012 (because it is paid in advance). It must be included in the income for the year to which it relates. Make sure you do not count money you received in this year if it was included in an earlier year.

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

Receipts other than rent

Receipts other than rents are also taxable. Some of the main categories are:

- rent charges and ground rents
- income arising from the grant of sporting rights
- income arising from letting others tip waste on the land
- income from letting someone use the land when no lease or licence is created; for example, receipts from a film crew who pay to film on the land
- grants received from local authorities towards the cost of repairs of a property. See the notes for box 1.26 on page PLN 8 for guidance on claiming relief for expenses on repairs
- include any income from land and property from any Enterprise Zone Trusts (include interest from Enterprise Zone Trusts in the *Partnership savings* pages).

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

Box 1.22 *Tax deducted*

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

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

You should ensure that the amount of income entered in box 1.21 includes any tax taken off. In other words it should be the total amount received plus the tax that has been taken off. It should not be just the amount received after the tax has been taken off.

Transferring information to the Partnership Statement

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

Box 1.23 *Chargeable premiums*

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

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

Use the Working Sheet below to arrive at the taxable amount.

Working Sheet for chargeable premiums – leases up to 50 years

Premium	A	£
Number of complete periods of 12 months in the lease (ignore the first 12 months of the lease)	B	
50 minus *box B*	C	
Box C divided by 50	D	
Box A multiplied by *box D*	E	£

Copy figure in box E to box 1.23.

If you are in doubt whether any payment you have received constitutes a premium, ask us or your tax adviser. There can be a premium charge where you have assigned a lease but not required the payment of a premium. If you have assigned a lease and are not sure of all the consequences of that assignment, ask us or your tax adviser for advice.

Box 1.23A *Reverse premiums*

If the partnership receives a payment or other benefit as an inducement to take an interest in property for letting, that receipt will be chargeable as income from property. If the partnership receives an inducement in respect of premises from which it is to trade, see the note for box 3.50 on page PTRG 16 of the Partnership Tax Return Guide. If you are in any doubt about the proper tax treatment of a reverse premium, ask us or your tax adviser.

Expenses

If the total property income in the year, including furnished holiday letting income, before expenses is less than £73,000 annually, you do not have to list expenses separately. Instead, put total expenses in box 1.30.

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

Non-allowable expenses

- A partner's personal expenses (see the notes about box 1.33 on page PLN 9).
- Capital costs, such as expenses relating to the purchase of the land or property it intends to let, or the cost of purchasing machinery, furnishings or furniture.
- Any loss made on the sale of a property.

Allowable expenses

- In general any costs incurred for the sole purpose of earning business profits.
- You may be able to claim capital allowances or a renewals deduction on the cost of buying a capital asset, or a wear and tear allowance for furnished lettings.

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

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

Box 1.25 *Rent, rates, insurance, ground rents, etc.*

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

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

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

Box 1.26 *Repairs, maintenance and renewals*

Repairs and maintenance

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

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

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

Renewals

If the partnership has not claimed capital allowances or 'wear and tear' allowances (see page PLN 10) for the cost of replacing furniture, furnishings or machinery supplied with the property, the costs can be claimed as an expense. It includes the renewal of small items such as knives and forks.

If the partnership opts for a renewals deduction, you may deduct the cost of replacing any such equipment, but not the cost of the original purchase. Deduct from the replacement cost any sum received for the item scrapped or sold. Also deduct any part of the replacement cost that represents an improvement or addition to the original item.

Enter the total of any such expenses on renewals (and repairs and maintenance) incurred in the period for all the properties in the business in box 1.26. If you are in doubt about what sum to claim as a renewal, ask us or your tax adviser.

Box 1.27 *Finance charges, including interest*

Include expenses that relate to the financial side of the rental business in box 1.27. Costs incurred in obtaining a loan or an alternative finance arrangement to buy a property that is let are allowable as a deduction. So is any interest incurred on the loan or alternative finance payments under an alternative finance arrangement.

An alternative finance payment is the charge made by your finance provider over and above the original cost of the asset in the alternative finance arrangement. If you are unsure whether any financial cost is allowable as a deduction, ask us or your tax adviser.

Box 1.28 *Legal and professional costs*

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

Non-allowable expenses
Expenses in connection with the first letting or subletting of a property for more than one year. These include, for example, legal expenses (such as the cost of drawing up the lease), agents' and surveyors' fees and commission.
Any proportion of the legal etc. costs that relates to the payment of a premium on the renewal of a lease.
Fees incurred in obtaining planning permission or on the registration of title when buying a property.

Allowable expenses
Expenses for the let of a year or less.
Management fees relating to the ongoing costs of letting (for example, rent collection, etc.).
The normal legal and professional fees incurred on the renewal of a lease, if the lease is for less than 50 years.
Professional fees incurred evicting an unsatisfactory tenant, with a view to re-letting, or those on an appeal against a compulsory purchase order.
Professional fees in drawing up accounts.

If you are unsure whether any legal or professional fee is allowable as a deduction, ask us or your tax adviser.

Box 1.29 *Cost of services provided, including wages*

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

You should include the total of any expenses for all properties and their associated services in box 1.29. If the partnership receives any income for any service provided, you should include this in box 1.21.

Box 1.30 *Other expenses*

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

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

Lease premium relief

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

If you think the partnership is entitled to a deduction for a premium paid, ask us or your tax adviser. The amount of the allowable deduction should be entered in box 1.30. The notes for box 1.23, starting on page PLN 7, explain how to calculate the part of the premium which is taxable on the landlord as income.

Tax adjustments

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

Box 1.33 *Private use*

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

- enter the amount expended for business purposes in boxes 1.25 to 1.30, or
- enter the whole expenses in those boxes and in box 1.33 deduct the proportion of the cost that represents the personal use or the non-business element.

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

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

Boxes 1.34 and 1.36 *Capital allowances and balancing charges*

In working out the rental business profits you must not deduct:

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

Instead, the partnership may be able to claim capital allowances in box 1.36. These reduce a profit or increase a loss. An adjustment, known as a balancing charge, may arise when it sells an item, gives it away or stops using it in the business. Enter the amount of balancing charges in box 1.34. These increase the profits or reduce a loss.

Include any capital allowances or balancing charges from any partnership investments in Enterprise Zone Trusts.

However, if the partnership lets a dwelling house as furnished accommodation in the UK (other than as furnished holiday accommodation), capital allowances are not available on any machines, furniture or furnishings supplied. However, see the notes on box 1.37 (10% wear and tear) on page PLN 10.

Your tax adviser, if you have one, will tell you how to calculate capital allowances and balancing charges. If you do not have a tax adviser, or want to check your calculation, read Helpsheet 252 *Capital allowances and balancing charges*. The helpsheet is available from **www.hmrc.gov.uk/sa** or you can ask the SA Orderline for a copy.

For information on Business Premises Renovation Allowance read the notes for boxes 10.4 and 10.5 in your Partnership Tax Return Guide.

Box 1.36B

Tick box 1.36B if box 1.36 includes enhanced capital allowances for spending on designated environmentally beneficial plant and machinery. See Helpsheet 252 *Capital allowances and balancing charges*.

Box 1.36C *Landlord's energy saving allowance*

Enter in box 1.36C the amount the partnership is claiming for installing:

- loft, floor, cavity wall or solid wall insulation
- draught proofing and insulation for hot water systems

in residential property which it lets. You cannot claim the allowance for any property which is used for furnished holiday lettings. The maximum amount you can claim for the total expenditure on these items is £1,500 for each property.

If the partnership has installed the insulation or draught proofing in a single building which only partly comprises let residential property, you should only claim for the part of the expenditure incurred (or of £1,500 if the total expenditure exceeded that amount) which relates to the let residential property in the building.

If the partnership owns the building with other persons (or it and other persons have different interests or rights in the same building), you should only claim for the partnership's share of the expenditure which has been incurred in respect of the let residential property in the building (or for its share of the part of the £1,500 maximum which relates to the let residential property in the building).

Box 1.37 *10% wear and tear*

If the partnership lets any furnished residential accommodation (such as a house or flat) in the UK (other than as furnished holiday accommodation), capital allowances are not available. Instead, it may claim a deduction for either:

- the net cost of replacing a particular item of furniture or furnishings, but not the cost of the original purchase (see the notes on page PLN 8 about renewals), or
- an allowance amounting to 10% of the rent received less charges or services that would normally be borne by a tenant but which are, in fact, borne by the partnership (for example, Council Tax). This allowance, which is known as wear and tear allowance, is accepted as broadly covering the cost of normal renewals of furniture.

Capital allowances can be claimed if the partnership let furnished, but not residential, accommodation. If capital allowances can be claimed, you cannot claim the 10% wear and tear allowance.

Transfer of information to the Partnership Statement (full)

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

Remember, you will need to complete more than one Partnership Statement if you have completed more than one set of *Partnership UK property* pages for this tax return.

If you want to allocate these amounts between the partners now, read pages PTRG 22 to PTRG 25 of the Partnership Tax Return Guide.