



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

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i Helpsheets

Helpsheet 251 gives more detailed information about the tax rules for land and property and is available from our website.

Go to www.gov.uk and search for 'HS251'.

i Need help?

Go to our website at www.gov.uk/topic/personal-tax/self-assessment

Phone

The number printed on your tax return or the SA Helpline on 0300 200 3310.

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 (FHL) in the UK or European Economic Area (EEA)
- a reverse premium

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

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

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

This list isn't comprehensive. If you don't 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 6 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 below) the 'Partnership UK property' pages should be completed for the profits of the partnership's rental business for its accounting period(s) ended in the 2017 to 2018 tax year. In these circumstances, the dates shown in boxes 1.1 and 1.2 should be the same as those you've entered in boxes 3.4 and 3.5 on page 2 of the Partnership Tax Return.

Return period for investment partnerships

Where, exceptionally, a partnership doesn't 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 2017 to 5 April 2018, 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 2017 to 5 April 2018 (if apportionment gives a reasonable approximation of the actual figures for that period), or provide the actual figures themselves.

Enter '6/4/2017' in box 1.1 and '5/4/2018' 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 2017 to 5 April 2018 and there's more than one such accounting period, you may have to complete more than one set of 'Partnership UK property' pages. (See the notes on page PTRG 9 of the Partnership Tax Return Guide.)

Providing details of income and expenditure

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

Accounting methods

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

Method 1 - traditional accounting

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

Method 2 - cash basis accounting

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

For guidance on deciding if cash basis or traditional accounting is the right option to use, go to www.gov.uk/simpler-income-tax-cash-basis

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


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

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

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

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

Properties that are let as furnished holiday lettings are treated differently from other let properties for tax purposes and have certain tax advantages.

 For more information, go to www.gov.uk and search for 'HS253'.

If the partnership has furnished holiday lettings, start by filling in the first of the 'Partnership UK property' pages. Then fill in the second page. Details of other rental and business income and expenses go on the second page (see the notes on page PLN 6).

What is a furnished holiday letting?

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

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

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

EEA businesses

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

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

Box 1.3 Income from furnished holiday lettings

Enter the gross amount of income from properties that qualify as holiday lettings in the UK or EEA in box 1.3. This includes all the rents that relate to the year ended 5 April 2018 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 1.22.

Box 1.3A Traditional accounting

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

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

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

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

Cash basis

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

If you use cash basis don't include money you owe or money you are owed at the end of the year.

For guidance on deciding if cash basis or traditional accounting is the right option for you, go to www.gov.uk/simpler-income-tax-cash-basis. You can decide each year if cash basis is the best option for you and you must tell us each year if you used traditional accounting and not cash basis.

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

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

Transitional adjustments

If you're using cash basis, you may need to make a transitional adjustment. For guidance on the adjustments you'll need to make, go to www.gov.uk/simpler-income-tax-cash-basis

All transitional receipts must be included in box 1.3 and all transitional expenses must be included in box 1.9.

Expenses

If the partnership's total property income in the year, including furnished holiday letting income, before expenses is less than £85,000 annually, you don't 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 can't 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 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 don't 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, aren't allowable costs.

Box 1.5 Repairs and maintenance

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

You can't deduct the cost of capital expenditure incurred on improvements, additions and

alterations to the property. Nor can you claim a deduction for the cost of notional repairs that are no longer required as a result of this capital expenditure.

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

Renewals

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

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

Box 1.6 Finance charges, including interest

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

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

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

Box 1.7 Legal and professional costs

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

Non-allowable expenses

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

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

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

Allowable expenses

Expenses for the let of a year or less.

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

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

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

Professional fees in drawing up accounts.

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


Box 1.8 Cost of services provided, including wages

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

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 aren't already included in boxes 1.4 to 1.8 in box 1.9. Examples include the costs of rent collection, advertising for tenants, travelling solely for business purposes, stationery, phone calls and other miscellaneous expenses.

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

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

However, partners' personal expenses aren't 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're 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 1.23 explain how to calculate the part of the premium taxable on the landlord as income.

Tax adjustments

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

Box 1.12 Private use

Private and personal expenses aren't 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
- enter the whole expenses in those boxes and in box 1.12 deduct the proportion of the cost that represents the personal use or the non-business element

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

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

Boxes 1.13 and 1.15 Capital allowances and balancing charges

In working out the profit from furnished holiday lettings you mustn't deduct either:

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

Instead, the partnership may be able to claim capital allowances in 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.


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 HM Revenue and Customs within 2 years of the date of transfer. From April 2014, if you buy or sell a property the new owner won't be able to claim allowances for fixtures if the past owner didn't pool their qualifying expenditure on the fixtures. Pooling includes making a claim for First Year Allowance or Annual Investment Allowance in respect of the expenditure. It isn't necessary for the last owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on the fixtures.

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

Box 1.15A

Tick box 1.15A if box 1.15 includes enhanced capital allowances for spending on designated environmentally beneficial plant and machinery.

 For more information, go to www.gov.uk/business-tax/capital-allowances

Losses

Box 1.15B

For 2017 to 2018 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're filling in the page for an EEA property business put an 'X' here. If you have several properties in different EEA states you need only complete one EEA form – you 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 2016 to 2017 but doesn't reach the occupation threshold in 2017 to 2018 put an 'X' in box 1.20.

 For more information, go to www.gov.uk and search for 'HS253'.

Transferring information to the Partnership Statement

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

Other property income

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

The concept of a rental business is broad. The rental profit or loss takes account of all rental and similar income, and related expenses, resulting from the exploitation of land or property in the UK. All activities by which the partnership derives income from land and property in the same capacity are treated as activities of the one business. It doesn't 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 and professional income' pages). Otherwise, include the way leaves as 'Other partnership income' at box 7.44 ('Partnership savings, investments and other income' 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've rented out in the UK, except income arising from holiday lettings, chargeable premiums and reverse premiums (see notes on boxes 1.23 and 1.23A) in box 1.21.

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

Include in box 1.21 any rent the partnership receives (or will receive) after 5 April 2018 which is payment for the year ended 5 April 2018 (because it's paid in arrears). Exclude any rent received which relates to any period after 5 April 2018 (because it's paid in advance).

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

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

You add up all your property income received and take off any allowable expenses paid in the year. If you use cash basis don't include money you owe or money you are owed at the end of the 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 for guidance on claiming relief for expenses on repairs

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

Box 1.22 Tax deducted

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

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

You should make sure 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 shouldn't 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 1.22A Traditional accounting

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

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

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

Cash basis

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

If you use cash basis don't include money you owe or money you are owed at the end of the year.

For guidance on deciding if cash basis or traditional accounting is the right option for you go to www.gov.uk/simpler-income-tax-cash-basis

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

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

Transitional adjustments

If you're using cash basis, you may need to make a transitional adjustment. For guidance on the adjustments you'll need to make, go to www.gov.uk/simpler-income-tax-cash-basis

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

Box 1.23 Chargeable premiums

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

Broadly, for leases over 50 years the entire premium is treated as a capital receipt and so doesn't 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're in doubt whether any payment you have received constitutes a premium, ask us or your tax adviser. There can be a premium charge where you've assigned a lease but not required the payment of a premium. If you've assigned a lease and aren't 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's to trade, see the note for box 3.50 in the Partnership Tax Return Guide. If you're in any doubt about the proper tax treatment of a reverse premium, ask us or your tax adviser.

Expenses

If the total property income in the year, including furnished holiday letting income, before expenses is less than £85,000 annually, you don't 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 can't or can be claimed as a deduction.

Non-allowable expenses

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

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

Any loss made on the sale of a property.

Allowable expenses

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

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

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

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

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

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

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

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

Box 1.26 Repairs and maintenance

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

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

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

Renewals

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

Box 1.27 Finance charges, including interest

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

For residential properties, for the tax year 6 April 2017 to 5 April 2018 non-corporate partners can deduct 75% of the cost of getting a loan, or alternative finance to buy a property that is let, and 75% of any interest on such a loan or alternative finance payments.

For example, if a partnership with only individual partners incurred £4,000 in interest on such a loan, only include £3,000 in your calculation to arrive at the amount for box 1.27 (or box 1.30 if your turnover is below £85,000).

Partnerships with corporate and non-corporate members will need to calculate the restriction for non-corporates only.

Don't enter the full amount of the costs which relate to residential property, instead enter the remaining 25% for non-corporate partners in box 1.40. This will be used to calculate a reduction in partners' income tax.

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

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

Working sheet for box 1.27 and box 1.40

Non-residential finance charges and loan interest	A	£
Residential finance charges and loan interest	B	£
Box B x 75%	C	£
Box B minus box C (copy this to box 1.40)	D	£
Box A + box C (copy this to box 1.27)	E	£

Box 1.28 Legal and professional costs

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

Non-allowable expenses

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

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

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

Allowable expenses

Expenses for the let of a year or less.

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

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

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

Professional fees in drawing up accounts.

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

Box 1.29 Cost of services provided, including wages

If, in addition to letting a property, the partnership provides any service to the tenant (such as gardening, portering, 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're 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 aren't 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 aren't 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.

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

Lease premium relief

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

If you think the partnership is entitled to a deduction for a premium paid, ask us or your tax adviser. The amount of the allowable deduction should be entered in box 1.30.

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

Tax adjustments

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

Box 1.33 Private use

Private and personal expenses aren't 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
- enter the whole expenses in those boxes and in box 1.33 deduct the proportion of the cost that represents the personal use or the non-business element

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

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

Boxes 1.34 and 1.36 Capital allowances and balancing charges

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

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

Instead, the partnership may be able to claim capital allowances in 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.

However, if the partnership lets a property as a dwelling house in the UK (other than as furnished holiday accommodation), capital allowances aren't available on any fixtures, machines, furniture, furnishings or other items for use in the property. However, see the notes on box 1.37.


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 HM Revenue and Customs within 2 years of the date of transfer. From April 2014, if you buy or sell a property the new owner won't be able to claim allowances for fixtures if the past owner didn't pool their qualifying expenditure on the fixtures. Pooling includes making a claim for First Year Allowance or Annual Investment Allowance in respect of the expenditure. It isn't necessary for the last owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on the fixtures.

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


 For more information about BPRA, go to www.gov.uk/guidance/business-premises-renovation-allowance-bpra

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

 If you don't have a tax adviser, or want more information on capital allowances, go to www.gov.uk/business-tax/capital-allowances

Box 1.36A

Tick box 1.36A if box 1.36 includes enhanced capital allowances for spending on designated environmentally beneficial plant and machinery.

 For more information, go to www.gov.uk/business-tax/capital-allowances

Box 1.37 Costs of replacing domestic items

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

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

This cost can be claimed where:

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

Domestic items include:

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

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

Box 1.40 Residential finance costs not included in box 1.27

Don't enter the full amount of the costs relating to residential property. Put the remaining 25% of residential property finance costs for non-corporate partners which were not entered in box 1.27 or 1.30 in box 1.40.

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

See the example in these notes for box 1.27.

i For more information on the residential property finance costs restriction, go to www.gov.uk/government/news/changes-to-tax-relief-for-residential-landlords

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 haven't already done so, you should transfer any figure in box 1.22 to box 25.

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

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