Guidelines for claiming expenditure for Guernsey rental properties

On your income tax return please declare the gross rent received, before any deductions, and complete the 'let properties' section of the form in full.

If the owner is responsible for repairs to the property a **Statutory Repairs Allowance (SRA)** will be granted automatically. This is a percentage of the gross rent and is intended to cover the cost of general repairs and maintenance to the property.

Rates of SRA are currently as follows:

- Furnished dwelling = 15%
- Unfurnished dwelling = 10%
- Other building = 10%
- Land = 2.5%

If you want to claim for any specific expenditure incurred, not covered by the SRA, please attach an itemised schedule to your income tax return.

Invoices and receipts should not be provided with your initial schedule but must be retained for a period of 6 years, in case these are required to substantiate any claim made, as outlined in The Income Tax (Keeping of Records, etc) Regulations, 2006 and 2012.

Expenses claimed by you will be categorised as follows, for income tax calculation purposes

1. **Direct expenses**
2. **Excess Repairs Allowance**
3. **Non allowable expenditure**
4. **Mortgage interest**

1. Direct expenses

These are tenant's expenses borne by the landlord and will be deducted from the gross rent prior to the calculation of SRA. Direct expenses would include items such as:

- Cleaning
- Gardening
- Occupier's rates
- TV licence
- Utilities (but does not include TRP/Cadastre rates)

2. Excess Repairs Allowance (ERA)

The Excess Repairs Allowance is calculated as the average cost of maintenance, repairs, insurance and management of the property over the five years preceding the year of charge, insofar as such amount exceeds the SRA. An ERA claim can only reduce the rental income to nil, it cannot create a loss. An ERA claim would include, for example:

- Agent's fees
- Buildings/contents insurance
- General repairs and maintenance
- Legal expenses for the renewal of a lease or cost of eviction of a tenant.

3. Non allowable expenditure

Non allowable expenditure would include, but is not limited to, the following:

- Accountant's fees
- Expenditure recovered via an insurance claim
- Cadastre rates/TRP
- Cost of initial lease
- Expenditure incurred prior to the property being let
- Initial cost of carpets, curtains, appliances etc
- Legal fees incurred in purchasing the property
- Travel (whether to inspect the property, arrange repairs or sign a lease)
- Capital expenditure i.e.
    - Additions
    - Improvements
    - Upgrades

  If a property or part of a property has been allowed to fall into disrepair, the whole of the cost of restoring that property would be considered capital.
- Repayment of deposit to tenants (as this would not have been subject to income tax on receipt).

4. Mortgage interest

Interest paid on monies borrowed for the acquisition, construction or reconstruction of the rental property may be claimed, up to the amount of taxable rent received. The Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 provides full details of the interest relief available.

No deduction is allowed for any of the capital repaid, only for the amount of interest paid.

Example calculation

For a Guernsey furnished dwelling the taxable rent would be calculated as:-

Gross rent calendar year 2012			22,000
Less			
Direct expenses	-	Water	405
	-	Electricity	600
	-	TV licence	145
			20,850
Less			
Statutory Repairs Allowance (15%)			3,127
Excess Repairs Allowance (see below)			373
			17,350
Less			
Mortgage interest			8,000
Assessable rent			**9,350**

Calculation of Excess Repairs Allowance

Expenditure	Calendar year 2007	3,100
	Calendar year 2008	6,000
	Calendar year 2009	2,900
	Calendar year 2010	2,400
	Calendar year 2011	3,100
		17,500
5 year average	(17,500/5)	3,500
Deduct SRA	(as above)	3,127
ERA		**373**