Guidelines for claiming expenditure for United Kingdom and overseas 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.

Where rent has been paid in a currency other than pounds sterling, this should be converted at the average exchange rate for that currency for the relevant year. Average exchange rates used by the Income Tax Office can be found on our website at http://www.gov.gg/tax under “Rates and Allowances”

There is no Statutory Repairs Allowance for United Kingdom and overseas rental properties. There is however a 10% wear and tear allowance for furnished properties.

If you want to claim for any specific expenditure (incurred) 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, after the end of the year in which the relevant tax return is submitted, 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 will be categorised as follows for tax calculation purposes:

1. Direct expenses
2. Other allowable expenditure
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 the 10% wear and tear allowance, if applicable. Direct expenses would include items such as:

- Cleaning
- Council tax
- Gardening
- TV licence
- Utilities

2. Other allowable expenditure

Other allowable expenditure is deducted in full from the rent after direct expenses and wear and tear in the year in which the expenditure is incurred. Any loss arising as a result of other allowable expenditure will be set against other income of the year in which the loss is incurred, however such a loss cannot be carried forward.
Other allowable expenditure would include items such as:

- Agent’s fees (service charge)
- Buildings insurance
- General repairs and maintenance
- Legal expenses for the renewal of a lease or the cost of eviction of a tenant

3. **Non allowable expenditure**

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

- Expenses recovered via an insurance claim
- Contents insurance (furnished properties)
- 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
- Replacement carpets, curtains, appliances etc (furnished properties)
- Travel (whether to inspect the property, arrange repairs or sign a lease), as determined by the Guernsey Tax Tribunal – see the published decision in case 2002/4, available in the document download from [www.gov.gg](http://www.gov.gg)
- 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)

The following items are not allowable for United Kingdom/overseas furnished properties, as they are considered as covered by the annual 10% wear and tear allowance:

- Contents insurance
- Replacement
  - appliances,
  - carpets,
  - crockery,
  - curtains, etc

4. **Mortgage interest**

Interest paid on monies borrowed for the acquisition, construction or reconstruction of a rental property may be claimed, up to the amount of taxable rent received. Excess
mortgage interest paid may be offset against rental income from another United Kingdom/overseas property, in the same year. 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 United Kingdom furnished property, the taxable rent would be calculated as:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross rent calendar year 2012</td>
<td>10,000</td>
</tr>
<tr>
<td>Less Direct expenses</td>
<td>9,450</td>
</tr>
<tr>
<td>Water</td>
<td>205</td>
</tr>
<tr>
<td>Electricity</td>
<td>200</td>
</tr>
<tr>
<td>TV licence</td>
<td>145</td>
</tr>
<tr>
<td>Less 10% wear and tear allowance</td>
<td>945</td>
</tr>
<tr>
<td>Less Buildings insurance</td>
<td>250</td>
</tr>
<tr>
<td>Boiler service</td>
<td>80</td>
</tr>
<tr>
<td>Agent’s fees</td>
<td>1,000</td>
</tr>
<tr>
<td>Less Mortgage Interest</td>
<td>5,000</td>
</tr>
</tbody>
</table>

**Assessable rent** 2,175