

Non-residents landlord scheme

Introduction

A non-resident landlord is a landlord who lets out property in the UK but spends more than six months in the tax year outside the UK. A special tax scheme – the non-residents landlord scheme – applies to these landlords. Under the scheme, tax must be deducted by a letting agent or tenant from the rent paid to the non-resident landlord and paid over to HMRC.



Tenants

A tenant falls within the NRL scheme where the landlord is a non-resident landlord and the rent paid to the landlord is more than £100 a week. Where the rent is less than £100 a week (£5,200 a year), the tenant is not required to deduct tax from the rent (unless told to do so by HMRC). The tenant is also relieved of the obligation to deduct tax if HMRC have notified the tenant in writing that the landlord can receive the rent without tax being deducted; however the tenant must still register with HMRC and complete an annual return.

Where the tenant pays rent to a letting agent, it is the letting agent rather than the tenant who must operate the scheme.

Letting agents

Letting agents must also operate the NRL scheme where they collect rent on behalf of a non-resident landlord, regardless of how much rent they collect (unless HMRC

have informed the letting agent in writing that the landlord can receive the rent without tax being deducted).

A letting agent is someone who helps the landlord run their business, receives rent on their behalf or controls where it goes and who usually lives in the UK.

Complying with the scheme

To comply with the scheme, tenants and letting agents must

- register with the HMRC Charity, Savings and International department within 30 days of the date on which they are first required to operate the scheme – letting agents should use form NRL4i and tenants should write to HMRC
- work out the tax to be deducted each quarter
- send quarterly payments of tax deducted to HMRC Accounts Office, Shipley
- send a report to HMRC and the landlord by 5 July after the end of the tax year on form NRLY
- provide the non-resident landlord with a certificate of tax deducted each year (on form NRL6)
- keep records for four years to show that they have complied with the scheme

Calculating the tax

Tax should be calculated on a quarterly basis on:

- any rental income paid to the landlord in the quarter
- any payments that they make in the quarter to third parties which are not 'deductible payments'

Deductible payments are those that the tenant or letting agent can be 'reasonably satisfied' will be deductible in computing the profits of the landlord's property rental business. Reassuringly, in their guidance, HMRC state that they 'do not expect letting agents and tenants to be tax experts'.

The quarters run to 30 June, 30 September, 31 December and 31 March. The tax deducted must be paid over to

HMRC within 30 days of the end of the quarter.

The non-resident landlord

The non-resident landlord can set the tax deducted under the scheme against that payable on the profits of his or her property rental business.

Recommendation

It is important to talk to your property and tax advisor to see if this would apply to you or any of the properties you retain an interest in.

It is important to have the appropriate procedures in place to meet the tight quarterly deadlines and build this into your planned cashflow.

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