

This week Chris Ball, CEO of My Tax Matters, looks at the main reasons why British expatriates still have to fill in a tax return

So many expats have failed to realise that even though they have left the UK they may still have to file a UK tax return. While I will look at this in more depth over the next few weeks, I will start with one of the main reasons – owning a house and then renting it out.

Most individuals who leave the UK and own a house normally rent this out before they leave - I mean, what is the point in leaving your house empty whilst you are abroad, right?

Most people fail to recognise, though, that once they leave the UK and become non-residents they will then fall into the Non-resident Landlord Scheme.

### **What is the Non-Resident Landlord Scheme?**

HMRC operates a scheme called the Non-Resident Landlord scheme which is a scheme for taxing the UK rental income of non-resident landlords.

The scheme requires UK letting agents – or tenants where no letting agent is used - to deduct basic rate tax from any rent they collect for non-resident landlords. It is the letting agent's or tenant's duty to inform HMRC and if they don't they could open themselves up to all sorts of penalties.

So effectively all of your rentals received will be taxed at 20% and the income tax on these will be held at source.

However, you can apply to HMRC to receive your UK rental income with no tax deducted. An application for relief needs to be sent to HMRC and it will subsequently issue you with exempt status from the NRL Scheme. Therefore you will receive your rent payments with no tax held at source.

### **So what does this mean going forward?**

You will have to file a UK tax return every year going forward. You will have to fill out the basic tax return, along with the property income and non-residents pages.

It is normally unlikely that you will have to pay any UK income tax on the property as your personal allowance in the UK (currently £8,105 for the 2012/2012 Tax year) will normally cover it (although, this is dependent on how much rental income you do receive!). The rentals less any deductible expenses will make up the amount that is chargeable to UK income tax.

### **Will I have to pay tax on the property in the country I am currently resident?**

Double Taxation Treaties are agreements between two states set up to protect against paying tax twice where the same income is taxable in both states.

It is likely that if you have to pay any tax on the property, this will be deductible against any overseas tax that you owe due to Double Taxation Treaties between the UK and wherever you are based.

This is of course assuming that these treaties are in place.

### **In Summary**

If you do rent a property out, you will have to file a UK tax return and may be applicable to UK income tax should any arise.

Next week we will cover non-residents and capital gains issues.

Chris Ball, CEO of My Tax Matters, specialises in helping British expatriates with all of the different areas regarding UK Taxation. Email him at [chris@mytaxmatters.org.uk](mailto:chris@mytaxmatters.org.uk) if you have any questions!