

## UK NON RESIDENT LANDLORDS SCHEME

### Overview

The UK Non-Resident Landlords (NRL) Scheme is a scheme for dealing with the UK taxation of UK rental income arising to non-UK resident individuals, companies and trusts.

### Landlords Not Registered

The 20% rate of withholding tax must be deducted from the gross rent by the letting agent (if there is one) or the tenant before the net rent is paid over to the NRL. The tax withheld is then paid over to HM Revenue & Customs ("HMRC") by the agent/tenant.

Where a NRL is not registered and approved by HMRC, the non-resident landlord will receive only 80% of the gross rents due in respect of any UK property.

If no tax return is made by the NRL, in practice the 20% withholding tax deduction will be treated as the final UK tax liability. This often means that more tax is paid than is due because no tax relief has been given for allowable costs, such as interest relief, repairs, etc.

Any return subsequently submitted will enable a refund of tax to be made if applicable, as long as the return is made within the given time limits.

If a tenant pays rent of less than £100 per week then this can be paid gross, with no deduction of tax, unless instructed to do so by HMRC. However, letting agents have to deduct tax on payments to unregistered NRLs even if the rent is less than £100 per week.

### Registered Landlords

Landlords can apply to HMRC for approval to receive rents gross without the deduction of tax by the letting agent or tenant.

Approval will only be granted where the landlord:

- has ensured his tax affairs are up to date, or
- has never had any UK tax obligation, or
- does not expect to be liable to UK tax for the year in which the application is made.

Where approval is given, HMRC will write to the tenant/letting agent, authorising them to pay over the rent gross.

A Self Assessment Tax Return is required to be submitted by the NRL annually by 31 January following the tax year end. In it, relief can be claimed for all revenue expenses relating to collecting the rent, e.g. letting agent fees, mortgage interest, accountancy fees etc.

The tax liability is payable in three stages:

- Two instalments (based on the prior year's liability) payable in equal amounts on 31 January in the year to which the return relates and 31 July following the end of the tax year.
- Any additional liability for the tax year is payable on 31 January following the end of the tax year, i.e. the same day as the filing deadline for the return. If a repayment is due it will be repaid once the tax return is processed. The completed tax return should show how the repayment is to be made, either by deduction from any tax due on the next Self Assessment Statement or to be refunded to a bank or building society account or by post.

In the event that the return is submitted late, penalties will apply as follows;-

1 day late	A penalty of £100. This applies even if you there is no tax to pay or the tax due has been paid.
3 months late	£10 for each following day - up to a 90 day maximum of £900. This is in addition to the fixed penalty above.
6 months late	£300 or 5% of the tax due, whichever is the higher. This is in addition to the penalties above.
12 months late	£300 or 5% of the tax due, whichever is the higher. In serious cases you HMRC may ask for payment of up to 100% of the tax due instead. These are in addition to the penalties above.



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### Interest charges for late payment

Furthermore, interest will be charged on late payment of tax liability including any unpaid penalties, until HMRC receives payment. The current rate of late payment interest is 3%.

### Penalties for paying late

Additional penalties apply for late payment as follows:-.

Thirty days late	5% of the tax owed at that date.
Six months late	5% of the tax you owed at that date. This is in addition to the 5% above.
Twelve months late	5% of the tax unpaid at that date. This is in addition to the two 5% penalties above.

The penalties above do not apply to any payments on account that are paid late.

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