HM Revenue & Customs

Partnership Foreign notes

Tax year 6 April 2023 to 5 April 2024 (2023-24)

These notes will help you to complete the 'Partnership Foreign' pages of your Partnership Tax Return.

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Helpsheets

Helpsheet 380 gives more detailed information about the tax rules for 'Partnership Foreign' pages and is available from our website.

For more information about capital allowances, go to www.gov.uk and search for 'HS380' or go to www.gov.uk/business-tax/capital-allowances

Filling in the 'Partnership Foreign' pages

Gather together the material you need, such as:
- overseas dividend vouchers
- bank statements for overseas accounts

These notes tell you how to complete the 'Partnership Foreign' pages. Fill in pages PF 1 to PF 4 to give details of foreign income and gains:
- page PF 1 is for foreign savings (including income from offshore funds)
- page PF 2 is for income from land and property, chargeable premiums and disposals of holdings in offshore funds
- pages PF 3 and PF 4 are for foreign let property except for furnished holiday lettings in the European Economic Area (EEA) – summarise the income on page PF 2
- page PF 4 is also for any additional information

If you're a 'CT Partnership' please see page PTRG 5 of the Partnership Tax Return Guide.

These notes are only a simple introduction to the rules about the taxation of foreign income. If you're in any doubt about the information you need to provide, ask us or your tax adviser.

You may need to allocate shares of foreign income to the partners on an item-by-item basis before you can complete the Partnership Statement. Even if you do not need to do this to complete the Partnership Statement, the partners will need this additional information so that they can complete their own tax returns. This will be the case if any partner wants to claim relief by way of credit for foreign tax paid (Foreign Tax Credit Relief), or if the partner has a share in any foreign income that the partnership has been unable to remit to the UK.

Need help?

Go to our website at www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment

Phone

Self Assessment Helpline
0300 200 3310

Example 1

Jim is a member of a partnership and is entitled to 40% of the profits. The partnership receives 2 dividends, as follows:

	Gross	Foreign tax
Country A	£5,000	£1,000
Country B	£2,500	£ 250
Totals	£7,500	£1,250

To claim Foreign Tax Credit Relief Jim will need to know details of his share of the partnership's foreign income on an item-by-item basis, as follows:

	Share of gross	Share of foreign tax
Country A	£2,000	£ 400
Country B	£1,000	£ 100
Totals	£3,000	£ 500

See the notes on pages PTRG 26 to PTRG 29 of the Partnership Tax Return Guide for more details, including another example.

Boxes 2.4 and 2.5 Return period – trading or professional partnerships

For all partnerships (except investment partnerships other than 'CT Partnerships', see below) fill in the 'Partnership Foreign' pages PF 1 and PF 2 to show details of the partnership's foreign untaxed income of the accounting periods ended in the tax year 2023 to 2024. In these circumstances the dates shown in boxes 2.4 and 2.5 must be the same as those you've entered in boxes 3.4 and 3.5 on page 2 of your Partnership Tax Return.

Where there is more than one such accounting period you may have to complete more than one set of 'Partnership Foreign' pages (see the notes on page PTRG 9 of the Partnership Tax Return Guide).

Where there's no such accounting period you need only complete the 'Partnership details' and 'Foreign savings' sections on page PF 1 (see the notes on page PTRG 9 of the Partnership Tax Return Guide).

Boxes 2.4 and 2.5 Return period – investment partnerships

Where, exceptionally, a partnership does not carry on a trade or profession, pages PF 1 and PF 2 must in all cases be filled in for the profits in the period 6 April 2023 to 5 April 2024. Enter '6/4/2023' in box 2.4 and '5/4/2024' in box 2.5. If you're a 'CT Partnership' see page PTRG 5 of the Partnership Tax Return Guide.

If accounts are made up for any other period, apportion figures in the sets of accounts that between them cover the period 6 April 2023 to 5 April 2024.

Returning foreign income

Enter the full amount of income arising from overseas sources on the 'Partnership Foreign' pages. For overseas rental income this means the gross income minus allowable expenses. For all other income it's simply gross income before tax.

Unremittable income

If the partnership has income arising outside the UK that it's unable to remit to the UK because of exchange controls or a shortage of foreign currency in the overseas country, then the members of the partnership can claim that the unremittable income should not be taxed for 2023 to 2024.

If you think this applies to the partnership, see below for guidance on how to enter details of the unremittable income.

Income becoming remittable

Where income was not taxed in an earlier year because it was unremittable but it can now be remitted to the UK, it's treated as arising in 2023 to 2024. Income may become remittable if, for example, exchange controls are lifted. Include any income to which this applies whether or not it is actually remitted to the UK. The amount of the income and any foreign tax charged on it must be converted to sterling using the exchange rate at the time the income becomes remittable.

Foreign income: change to pounds sterling

Income taxable in the UK must be converted to sterling at the rate of exchange prevailing at the time when the income arose. We can help if you're not sure which exchange rate to apply.

Filling in pages PF 1 and PF 2 of the 'Partnership Foreign' pages

Important: if the partnership has more than one item of income or gains in any particular category (for example, dividends from more than one overseas company) each such item must be entered separately. But see below for how to deal with unremittable income.

For each item in:

- column A, enter the country in which the item of income arose
- column B, enter the amount of income before deducting any UK or foreign tax but after deducting unremittable income
- column D, enter the amount of foreign tax paid on the income entered in column B

These notes will help you decide what to put in each column.

Entering unremittable income

Enter details of unremittable income, and the corresponding tax, in the 'Partnership Foreign' pages in the appropriate foreign currency.

For each item of income (excluding income from land and property abroad, see the note on page PFN 5) that cannot be remitted to the UK in the tax year 2023 to 2024:

- in column A, enter the country in which the item of income arose
- tick the box between columns A and B
- in column B, enter the amount of the unremittable income, in its foreign currency (cross out the £ signs)
- in column D enter the amount of the foreign tax, if any, suffered on the unremittable income in its foreign currency (cross out the £ signs)

Make sure you exclude details of unremittable income, and the corresponding tax, from the totals boxes at the foot of each column.

Foreign savings

Interest and other income from overseas savings and investments

Column A

Enter the name of the country where the income arose.

Columns B to D

Treat each source of interest (including, for example, different accounts with the same bank) separately and enter details of each on a separate line.

Interest from overseas unit trusts and other investment funds

The information you need to put in these columns will be shown on the partnership's unit trust or fund voucher. If you do not have a tax voucher, ask the unit trust or fund administrator for one. Where the income of the unit trust or fund is automatically reinvested in the fund, you may still have to enter the appropriate income arising to you and any tax deducted. There are some instances where dividend distributions from offshore funds must be returned as interest received, see 'Dividends from foreign companies' on page PFN 4.

Interest from other overseas sources

Enter the amounts of interest that the partnership received from foreign bank accounts, or from foreign company loan stocks, or loans to individuals or other organisations outside the UK. If the payer of the interest has deducted foreign withholding tax and accounted for that tax to the overseas tax authority on your behalf, this will normally be shown on a certificate of tax paid. Company partners should see the note 'Loan relationships and so on' of the Partnership Tax Return Guide.

Other income from overseas sources

Enter any other income that the partnership received, or was entitled to, from overseas savings and investments. Include gains on life assurance policies, life annuities and capital redemption policies. Do not include income from land and property abroad (see page PFN 5 of these notes).

Dividends and distributions from overseas sources

For each year in which the partnership carries on a trade, any dividends and distributions the partnership receives from overseas sources are taxable in the same basis period as the partnership's trading income (unlike dividends received from UK companies, which are taxable by reference to the tax year). For example, if the partnership has a basis period of 1 January to 31 December, any dividends and distributions from overseas sources will share that basis period.

Income not to include in the 'Partnership Foreign' pages

Exclude:
- distributions made in the course of the liquidation of a foreign company
- distributions that constitute a return of the partnership's capital interest in a foreign company
- distributions made by a foreign company in the form of its own stocks and shares
- stock dividends from foreign companies
- bonus shares from a stock dividend issue made by a foreign company

If you're not sure whether distributions the partnership has received fall into any of the above categories, ask us or your tax adviser for advice.

Column A

Enter the name of the country where the dividend or distribution arose.

Columns B to D

Treat each source of income separately and enter details of each on a separate line.

Dividends from foreign companies

Include dividends from:
- foreign companies
- offshore funds constituted as companies – your dividend voucher will provide the information needed

There are specific rules for dividends from offshore funds which are substantially invested in interest-bearing assets (commonly known as 'bond funds'). Where an offshore fund holds more than 60% of assets in interest-bearing (or economically similar) form, any distribution received by the partnership is treated as a payment of yearly interest.

Other distributions from overseas sources

If the partnership has received a distribution from a foreign company other than in the form of a cash dividend, for example, if the company has released some of its assets (such as shares it holds in another company) to its shareholders, enter the currency value of such assets at the date of distribution, unless the assets are released on liquidation or represent a return of capital.

Where a distribution was not made in shares and you've accepted an option from a foreign company to receive cash instead of shares, the cash is taxable and you should include it on page PF 1.

Dividend tax credit

Dividends, including dividends from non-UK companies, paid before 6 April 2016 carried a notional tax credit equal to one ninth of the dividend actually paid. That tax credit has been abolished for dividends paid on or after 6 April 2016. From 6 April 2016, each partner does not pay tax on the first part of their dividend income that is covered by the dividend allowance, including dividends received by the partnership and dividends from an overseas source. For 2023 to 2024, the dividend allowance is £1,000.

Box 2.8A Traditional accounting

Put 'X' in box 2.8A if you used traditional accounting instead of cash basis.

Only partnerships that just have individuals as partners can use cash basis.

If your receipts from your property business (UK and UK FHL or overseas and EEA FHL) are over £150,000 for the tax year, you must use traditional accounting.

If you have both EEA FHL and overseas property income, put 'X' in box 2.8A and box 1.3A on the SA801.

Cash basis

Cash basis is a simpler way of working out your property profits or losses. You add up all your property income received and take off any allowable expenses paid in the year.

If you use cash basis do not include money you owe or money you are owed at the end of the year.

You cannot claim capital allowances if you're using cash basis. The only exception is cars.

For guidance on deciding if cash basis or traditional accounting is the right option for you, go to: www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income

You can decide each year whether the cash basis is the best option for you and you must tell us each year if you used traditional accounting and not cash basis.

If you have both EEA FHL and overseas property income, you must use the same basis for both.

Transitional adjustments

If you change accounting practice, you may need to make a transitional adjustment. For guidance on the adjustments you'll need to make, go to www.gov.uk/guidance/income-tax-when-you-rent-out-a-property-working-out-your-rental-income

All transitional receipts must be included in box 2.11 and all transitional expenses must be included in box 2.17.

Disposals of holdings in offshore funds

Box 2.9

The partnership may need to make an entry in this box if it has disposed of an interest in an offshore fund. The rules relating to this can be quite complex, HM Revenue and Customs (HMRC) has published guidance in its Investment Funds Manual, go to www.gov.uk/government/collections/hmrc-manuals or ask your tax adviser. The following is a general overview.

The term 'offshore fund' is defined in UK tax legislation. Broadly such a fund is an investment scheme of which the trustees or operators are not resident in the UK (for example, unit trusts operated under Jersey laws and Belgian SICAVs are offshore funds). Other than 'open ended' investment companies, non-resident companies are generally not offshore funds, check this with the fund manager or your tax adviser.

In certain circumstances, gains on disposals of holdings in offshore funds are charged to tax as income instead of being taxed as capital gains.

Where that's not the case, return any gain or loss on disposal on the 'Partnership Disposal of Chargeable Assets' pages and not in box 2.9. If this applies, you can get those pages from the website. Go to www.gov.uk and search for 'SA803'.

Enter any income the partnership receives from the offshore fund on page PF 1 or on page PS 1 as appropriate, see 'Interest from overseas unit trusts and other investment funds' on page PFN 3 for help.

Filling in boxes 2.6 to 2.10

Enter in boxes 2.6 to 2.10 the totals of income remittable to the UK (in pounds sterling) and the corresponding UK and foreign tax (also in pounds sterling).

Transfer of information to the Partnership Statement

The partners need to distinguish between the different classes of income and tax credits identified in boxes 2.6 to 2.10 when calculating the tax due on their shares of foreign income.

Transfer the amounts shown in the totals boxes 2.6 to 2.10 to the appropriate boxes in the Partnership Statement.

Transfer the figure in:
- box 2.6 (total interest and other savings income) to box 14 of the Partnership Statement
- box 2.6A (total dividend income) to box 14A
- box 2.7 (total overseas letting income and chargeable premiums) to box 17
- box 2.8 (foreign tax deducted from the income in boxes 2.6, 2.6A and 2.7) to box 28
- the figure in box 2.9 (offshore funds) to box 18
- the figure in box 2.10 (losses on overseas income) to box 21

Income from land and property abroad

Furnished holiday lettings in the European Economic Area (EEA)

If you have income from the commercial letting of furnished holiday accommodation in the EEA, you can claim the same reliefs that apply to commercially let furnished holiday accommodation in the UK. If you let qualifying holiday accommodation in the EEA, for more information go to www.gov.uk and search for 'HS253'. You'll need to complete the 'Partnership UK property' pages, go to www.gov.uk and search for 'SA801'. The notes for those pages explain how to do this.

To enable any partner to claim Foreign Tax Credit Relief or to deduct the foreign tax in computing partnership foreign income or losses, complete page PF 4 of the 'Partnership Foreign' pages.

Before you fill in columns A to D on page PF 2, complete pages PF 3 and PF 4. Fill in page PF 3 if the partnership had:
- only one overseas let property
- more than one overseas let property but they're all in the same foreign country
- more than one overseas let property but there has been no foreign tax deducted from the income and all the income is remittable

Fill in a copy of page PF 3 for each overseas let property. If you have more than one overseas let property take copies of page PF 3 before you start filling it in, or go to www.gov.uk and search for 'SA802' and print more pages. Please put the partnership's name and tax reference next to the property address box on each copy of page PF 3 you fill in.

Column A

Enter the name of the country where the property is situated.

Column B

Fill in pages PF 3 and PF 4 of the 'Partnership Foreign' pages to calculate the amount to be entered in this column.

Column D

If the partnership has paid foreign tax on rental income arising in the return period, enter the amount in column D. Enter the full amount, in pounds sterling, of foreign tax paid.

Residential property finance costs from boxes 2.30A or 2.33A

Box 2.10A

Transfer the amount from either box 2.30A or 2.33A into box 2.10A. This will be used to calculate a reduction in partners' Income Tax.

For more information on the residential property finance costs restriction, go to www.gov.uk/guidance/changes-to-tax-relief-for-residential-landlords-how-its-worked-out-including-case-studies

Filling in page PF 3

First, enter the full address of the property, or if page PF 3 is to be used for more than one let property, the address of the first property. Use the 'Additional information' box on page PF 4 for the addresses of the other properties.

Income

Box 2.11

If the partnership enters into any transaction that produces rents or other receipts from any right or interests it holds in land or property situated abroad, those rents and receipts are taxable.

Enter in box 2.11 the full amount of the receipts from the property in question, but do not include any chargeable premiums.

'Income' includes receipts in cash or in kind. When using traditional accounting, rather than cash basis, income is taxed when it's earned, even if the partnership does not receive the money or goods until later. Include in box 2.11 any rent the partnership receives (or will receive) after 5 April 2024 that is payment for the year ended 5 April 2024 (because it's paid in arrears). Exclude from box 2.11 any rent received which relates to any period after 5 April 2024 (because it's paid in advance). It must be included in the income for the year to which it relates. Make sure you do not count money received in this year if it was included in an earlier year.

Cash basis is a simpler way of working out your property profits or losses. Only partnerships that just have individuals as partners can use cash basis. Add up all your property income received and take off any allowable expenses paid in the year.

If you use cash basis do not include money you owe or money you are owed at the end of the year.

Generally, most income will be rental income from a tenancy, leasing or licensing agreement over the land or property. Include all rental income from furnished, unfurnished, commercial and domestic accommodation, and from any land, in the overall total. If the property is let furnished, any sums that a tenant may pay for the use of furniture will be taxed as income of the business. Add all this income together and enter it in box 2.11.

Receipts other than rent

Receipts other than rents are also taxable. Some of the main categories are:
- rent charges, ground rents
- income arising from the grant of sporting rights
- income arising from letting others tip waste on the land
- income from letting someone use the land when no lease or licence is created, for example, receipts from a film crew who pay to film on the land

This is not a complete list. If you do not know whether to include a particular sum, ask us or your tax adviser.

Chargeable premiums

Premiums paid for the grant of a lease, certain other lump sum payments and other forms of consideration given in connection with the right to possession of a property, are also taxable but on a special basis.

Broadly, for leases over 50 years the entire premium is treated as a capital receipt and so does not form part of the income of the business. For leases of up to 50 years the premium is treated as partly capital and partly rent, and only the rent is taxed.

Use the working sheet below to calculate the taxable amount.

Working sheet for chargeable premiums – leases up to 50 years

Premium	A	£
Number of complete periods of 12 months in the lease (ignore the first 12 months of the lease)	B	
50 minus box B	C	
Box C divided by 50	D	
Box A multiplied by box D	E	£

Copy the figure in box E to the 'chargeable premiums' row in column B.

If the partnership paid foreign tax in respect of the premium, apportion the amount of foreign tax as appropriate and enter in column D the amount appropriate to the part of the premium that is taxable in the UK.

If you're in doubt whether any payment you have received constitutes a premium, ask us or your tax adviser. There can be a premium charge where you've assigned a lease but not required the payment of a premium. If you've assigned a lease and are not sure of all the consequences of that assignment, ask us or your tax adviser.

Reverse premiums

If the partnership receives a payment or other benefit as an inducement to take an interest in any property for letting, the receipt will be chargeable as income from property. Include the receipt in box 2.11. If it receives an inducement in respect of premises from which it's to trade, each partner will have to include their share of the inducement on their 'Partnership' pages.

If you're in any doubt about the proper tax treatment of a reverse premium, ask us or your tax adviser.

Box 2.11A

Tick box 2.11A if box 2.11 contains income from more than one overseas let property.

Box 2.11B

Tick box 2.11B if box 2.11 contains income that is unremittable. Fill in a separate page PF 3 for each property producing unremittable income.

Exclude the box 2.26 or box 2.27 figure from the 'Taxable profit or loss' column on page PF 4.

Expenses

Boxes 2.12 to 2.17

If the total property income in the year before expenses is less than £85,000 annually, you do not have to list expenses separately. Instead, enter the total expenses in box 2.17.

The following guidelines give an indication of the main types of expenses likely to arise in a rental business and what usually can or cannot be claimed as a deduction against income from land and property.

Non-allowable expenses

These are:

- a partner's personal expenses (see the notes about box 2.20 on page PFN 9)
- capital costs, such as expenses relating to the purchase of the land or property that the partnership intends to let, or the cost of buying machinery, furnishings or furniture
- any loss made on the sale of a property

Allowable expenses

These are:

- in general, any costs you incurred for the sole purpose of earning business profits
- you may be able to claim the cost of replacing domestic items in residential lettings or capital allowances on the cost of buying a capital asset

The expenses must be allocated to the correct return period and it may be necessary to apportion certain expenses to arrive at the correct amount.

Box 2.12 Rent, rates, insurance, ground rents, etc

Any rent paid under a lease of a property let to someone else can be deducted in working out the business profits.

Other expenses connected with the property such as local rates or ground rents are also allowable. Enter in box 2.12 the total of any such expenses incurred in the period for all properties included in your business.

Include in box 2.12 any expenses the partnership must incur as landlord insuring any let property and its contents. Insurance against loss of rents is also an allowable cost, but you must include in box 2.11 any income received as a result of taking out such insurance. But insurances that extend beyond the rental business, such as partners' personal policies or those insuring your private belongings, are not allowable costs.

Box 2.13 Repairs and maintenance

Expenses that prevent the property from deteriorating can be deducted as a repair. Examples include exterior and interior painting, stone cleaning, damp treatment, roof repairs, furniture repairs and repairs to lifts and other machines that form part of the property.

Where maintenance and repairs of property are made unnecessary by improvements, additions or alterations, part of the outlay equal to the estimated cost of the maintenance and repairs can be claimed as an expense. No expense can be claimed, however, where:

- the alterations and so on, are so extensive as to amount to the reconstruction of the property
- there's a change in the use of the property that would have made the maintenance or repairs unnecessary

If you're in doubt whether any work undertaken on the property is a repair or maintenance, ask us or your tax adviser.

Renewals

The renewals allowance for the cost of replacing items is no longer available. You may be able to claim capital allowances on some of your capital items such as furniture, furnishings, appliances and kitchenware in box 2.24.

Box 2.14 Non-residential property finance costs

For non-residential property you can deduct the costs of getting a loan or alternative finance to buy a property that you let, and the full amount of any interest on such a loan or alternative finance payments.

For residential properties, for the tax year 6 April 2023 to 5 April 2024 non-corporate partners cannot deduct the cost of getting a loan, or alternative finance to buy a property that's let, or any interest on such a loan or alternative finance payments.

Interest costs will be used to calculate a reduction in partners' Income Tax.

Partnerships with corporate and non-corporate members will need to calculate the costs of getting a loan, or alternative finance to buy a property that is let or any interest on such a loan or alternative finance arrangements separately for non-corporates only.

If interest costs for non-corporate partners refer to residential property in tax year 6 April 2022 to 5 April 2023 or earlier, a proportion of the interest can be deducted. The remaining proportion should be entered in box 2.30A or box 2.33A if you filled in more than one page PF3.

If you're not sure whether any financial cost is allowable as a deduction, ask us or your tax adviser.

For more information on the residential property finance costs restriction, go to www.gov.uk/guidance/changes-to-tax-relief-for-residential-landlords-how-its-worked-out-including-case-studies

Box 2.15 Legal and professional costs

Below are some examples of expenses the partnership cannot deduct and those it can.

Non-allowable expenses

These are:

- expenses in connection with the first letting or subletting of a property for more than one year – these include, for example, legal expenses (such as the cost of drawing up the lease), agents' and surveyors' fees and commission
- any proportion of the legal and so on, costs that relate to the payment of a premium on the renewal of a lease
- fees incurred in obtaining planning permission or on the registration of title when buying a property

Allowable expenses

These are:
- expenses for the let of one year or less
- the normal legal and professional fees you incurred on the renewal of a lease, if the lease is for less than 50 years
- professional fees incurred evicting an unsatisfactory tenant, with a view to reletting, or those on an appeal against a compulsory purchase order
- professional fees in drawing up accounts

If you're not sure whether any legal or professional fee is allowable as a deduction, ask us or your tax adviser.

Box 2.16 Cost of services provided, including wages

If, in addition to letting a property, the partnership provides any service to the tenant (such as gardening, porterage, cleaning or even communal hot water) which requires a degree of maintenance and thus expense, you can claim the cost of these services to the extent that they're provided wholly and exclusively for the purposes of the letting.

Include in box 2.16 the total of any such expenses for all properties and their associated services. If the partnership receives any income for any service provided, enter this in box 2.11.

Box 2.17 Other expenses

Enter in box 2.17 all expenses incurred wholly and exclusively for the purpose of the rental business that are not already included in boxes 2.12 to 2.16. Examples include the costs of rent collection, advertising for tenants, travelling solely for business purposes, stationery, phone calls and other miscellaneous expenses.

Partners' personal expenses are not allowable. If the partnership spends money on something only partly used for the property, you must enter only the amount expended for business purposes in box 2.17. Alternatively, enter the whole amount and deduct in box 2.20 the proportion of the cost that represents personal use.

Tax adjustments

To arrive at the income (or the allowable loss) for tax purposes, you need to make certain adjustments to the net profit or loss arising in the year in box 2.19. The main adjustments are listed below.

Box 2.20 Private use

Private and personal expenses are not allowable. If the partnership spends money on something only partly used for the rental business and partly for a non-business reason you must either enter the:
- amount expended for business purposes in boxes 2.12 to 2.17
- whole expenses in those boxes and deduct in box 2.20 the proportion of the cost that represents your personal use or the non-business element

For example, if the partnership lets out a property for only 8 months in a year and a partner uses it for the other 4 months, you can put the full annual cost of insuring the property in box 2.12. If you do, add back one third of that cost in box 2.20.

If you're in any doubt whether a particular expense needs to be apportioned between business and private use, ask us or your tax adviser.

Boxes 2.21, 2.21A, 2.21B, 2.21C and 2.23 Capital allowances and balancing charges

In working out the rental business profits do not deduct:
- the cost of buying, altering, building, installing or improving fixed assets
- depreciation or any losses that arise when you sell them

Instead, the partnership may be able to claim capital allowances in boxes 2.21A , 2.21B, 2.21C or 2.23. These reduce a profit or increase a loss. An adjustment, known as a balancing charge, may arise when it sells an item, gives it away or stops using it in the business. Enter the amount of balancing charges in box 2.21. These increase the profits or reduce a loss.

However, if the partnership lets a dwelling house, capital allowances are not available on any fixtures, machines, furniture, furnishings or other items for use in the property or the building or any structure to do with the dwelling house.

See the notes on box 2.24 (on the cost of replacing domestic items).

Do not claim capital allowances if you're using cash basis. The only exception is cars.

Your tax adviser, if you have one, will tell you how to calculate capital allowances and balancing charges.

Fixtures

Under rules introduced in 2012 and 2014, a purchaser of a second-hand business property containing fixtures (such as kitchen fittings, electrical or heating systems) will not usually be entitled to claim allowances unless the past owner has 'pooled' its qualifying expenditure and has fixed the value of the fixtures.

'Pooling' includes making a claim for first year allowance or annual investment allowance for the expenditure. It is not necessary for the past owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on fixtures.

Normally, the value will be fixed by means of a joint Section 198 CAA 2001 election, which must be notified to HMRC within 2 years of the property transaction. The amount the seller can bring in to any pool as the disposal value will be the same as the amount the buyer can bring in as the acquisition value for capital allowances purposes.

Box 2.21 Balancing charges

Balancing charges may arise following disposal or balancing event, such as the sale, loss or destruction of assets or on the cessation of business use, where the proceeds from the event are more than their tax value. If you sell an item you've claimed capital allowances on, and the sale proceeds or value of the item is more than the pool value or cost you'll have to pay tax on the difference (a 'balancing charge'). This includes items where the pool value is nil because you claimed all of the cost previously. Put the total balancing charge in box 2.21.

Box 2.21A Electric charge-point allowance

You can claim 100% first year capital allowances for expenditure invested in the acquisition and installation of new and unused electric charge-points for electric vehicles. Put the amount of expenditure incurred in box 2.21A.

Box 2.21B The Structures and Buildings Allowance

If the partnership is eligible to claim the Structures and Buildings Allowance (SBA), put the amount of the claim in box 2.21B. If claiming for the first time in respect of an amount of qualifying expenditure, use the 'Additional information' box, box 2.35, to record the:

- date the building first came into qualifying use or, if later, the date the qualifying expenditure was incurred
- total amount of new qualifying expenditure incurred

To check if and how much you can claim, go to www.gov.uk/guidance/claiming-capital-allowances-for-structures-and-buildings

Box 2.21C Zero-emission car allowance

Claim the 100% first year allowance (the full cost) of any new and unused zero-emission or electric cars in this box.

If you use a car outside of your business, you must reduce the claim in proportion to the non-business use.

If you do not have a tax adviser and want more information, go to www.gov.uk/business-tax/capital-allowances

Box 2.23 All other capital allowances

The type of capital allowance and amount that you can claim will depend on the cost, type of assets and other circumstances. For example, you can only claim capital allowances for furniture and fixtures or other equipment for use in a dwelling house if it qualifies as a Furnished Holiday Letting (FHL). Put your total capital allowances not claimed elsewhere in box 2.23.

You may be able to claim some of these allowances:

- 18% writing down allowance (WDA) on the balance of your purchases after deducting any Annual Investment Allowance (AIA) if your total costs were more than AIA maximum amount
- 6% WDA for 'special rate' equipment such as electrical systems and cars with higher CO_2 emissions

For more information on CO_2 emissions, go to www.gov.uk/capital-allowances/business-cars

Box 2.24 Costs of replacing domestic items

If the partnership lets any residential accommodation (such as a house or flat, other than as a furnished holiday letting), capital allowances are not available on expenditure on assets in the dwelling house.

Instead, the partnership can claim the cost of any replacement domestic items for use in the accommodation by putting an amount in box 2.24.

This cost can be claimed where:
- it's actually incurred on purchasing a replacement domestic item – you cannot claim the initial cost for an item provided for use in the accommodation for the first time
- the new item is provided solely for the use of the tenants in the accommodation and the old item is no longer available for use
- if the new item is an improvement on the old item, the cost you can claim is limited to the cost of purchasing an equivalent replacement to the old item – the new item is an improvement if there's a substantial upgrade in the function, materials or quality over the old item, unless this is due to the new item being the nearest available modern equivalent

Domestic items include items such as:
- moveable furniture, for example, beds, free-standing wardrobes
- furnishings, for example, curtains, linens, carpets, floor coverings
- household appliances, for example, televisions, fridges, freezers
- kitchenware for example, crockery and cutlery

Capital allowances can be claimed for items in a property, if the partnership lets furnished, but not residential accommodation. If capital allowances can be claimed, you cannot claim the cost of replacing domestic items.

Boxes 2.26 and 2.27 Adjusted profit or loss

If you filled in one page PF 3

Enter any net profit in box 2.26. If there's a net loss enter '0' in box 2.26 and the amount of the loss in box 2.27. Go on to page PF 4.

If you filled in more than one page PF 3

Enter any net profit in box 2.26. If there's a net loss enter '0' in box 2.26 and the amount of the loss in box 2.27. Go on to page PF 4.

Filling in page PF 4

If you completed one page PF 3 fill in boxes 2.28 to 2.30. If you completed more than one page PF 3, give details about each let property, using a separate line of the grid for each, and then fill in boxes 2.31 to 2.34.

Taxable profit for the year if you filled in one page PF 3

Boxes 2.28 and 2.29

If you completed only one page PF 3 and there's more than one let property, the profits and losses of all the rented properties must be pooled in order to calculate the overall result.

Box 2.28

Enter in box 2.28 the taxable profit from box 2.26 on page PF 3. Copy box 2.28 to column B on page PF 2.

Box 2.29

Enter in box 2.29 any allowable loss from box 2.27 on page PF 3. Copy box 2.29 to box 2.10 on page PF 2.

Foreign tax paid on the rental income

Box 2.30

If you have paid foreign tax enter the amount of foreign tax paid in box 2.30. Copy box 2.30 to column D on page PF 2.

Filling in the columns on page PF 2

Column A

Enter the name of the country where the property is situated.

Column B

Enter the amount of profit for the year from box 2.28.

Column D

Enter the amount of any foreign tax paid for income chargeable to UK tax from box 2.30.

Taxable profit for the year if you filled in more than one page PF 3

Box 2.30A Residential property finance costs

Put residential property finance costs for non-corporate partners in box 2.30A. This will be used to calculate a reduction in partners' Income Tax.

For more information on the residential property finance costs restriction, go to www.gov.uk/guidance/changes-to-tax-relief-for-residential-landlords-how-its-worked-out-including-case-studies

Box 2.31 to 2.33

Profits and losses of all the let properties must be pooled in order to calculate the overall result. Exclude from this pool any unremittable property income.

Normally, the tax authorities of the country where the let property is situated will also charge tax on the letting profits. If no more relief was given this would mean that the partners would pay tax, on the same profits both here and abroad. But the double charge is relieved by deducting the overseas tax paid on the property income from the UK tax due on the same income. This is done either under the terms of a Double Taxation Treaty with the overseas country or, where no treaty exists, under separate UK rules.

If the overseas income has suffered foreign tax and a claim to tax credit relief is made by the partners, it'll be necessary to identify the amount of UK tax attributable to income from each particular property. Therefore, where Foreign Tax Credit Relief is claimed, separate computations of profits and losses for each property will be needed.

For the purposes of calculating Foreign Tax Credit Relief, losses should be deducted in the order most favourable. Normally, this will mean that losses are allocated first against the source that has suffered the lowest rate of foreign tax.
See the example below:

	Country A	Country B	Country C	Total
Income	£6,000	£4,000	£6,000	
Expenses	£1,000	£6,000	£4,000	
Profit (loss)	£5,000	(£2,000)	£2,000	£5,000

The following amounts of foreign tax have been paid

		Rate of foreign tax	Tax deducted
Country A	£5,000	10%	£ 500
Country B	£ Nil		
Country C	£2,000	30%	£ 600
Total foreign tax			£1,100

Assuming that all of the income is wholly chargeable at 20% the Income Tax due will be as follows:

Country A

£5,000 x 20% = £1,000

Allocate all the losses that arose in Country B to Country A as that has suffered the lowest rate of foreign tax:

Profit £5,000

Losses £2,000

Net £3,000 x 20% = £600

All of the foreign tax paid of £500 is available for Foreign Tax Credit Relief.

Country C

£2,000 x 20% = £400

Although foreign tax of £600 has been paid, the amount available for Foreign Tax Credit Relief is limited to the amount of UK tax charged on the same income, that is £400.

Summary

Income Tax due	£600 + £400	= £1,000
Foreign Tax Credit Relief	£500 + £400	= £900
Net UK tax payable		£100

If you need any help to work out the relief due, please contact us or your tax adviser.

If box 2.31 is a profit, copy it to column B on page PF 2.

Foreign tax paid on rental income

Box 2.32

Add up the foreign tax deducted and enter the total in box 2.32.

Box 2.33

After allocating any losses in the most favourable way, add up the amounts chargeable and enter the total in box 2.33.

Box 2.33A Residential property finance costs

Put residential property costs for non-corporate partners in box 2.33A. This will be used to calculate a reduction in partners' Income Tax.

For more information on the residential property finance costs restriction, go to www.gov.uk/guidance/changes-to-tax-relief-for-residential-landlords-how-its-worked-out-including-case-studies

Box 2.34

If the overall result is a loss, enter the loss in box 2.34. Copy box 2.34 to box 2.10 on page PF 2.

Filling in the columns on page PF 2

Column A

Enter 'see page PF 4'.

Column B

Enter the overall amount of profit for the year from box 2.31.

Column D

Enter any foreign tax deducted from box 2.32.