HM Revenue & Customs

Notes on TRUST AND ESTATE FOREIGN

CONTENTS

HELPSHEETS

Helpsheets giving more detailed information about particular tax rules for the 'Trust and Estate Foreign' pages are available from www.gov.uk/self-assessment-forms-and-helpsheets

- Helpsheet 240, 'Lloyd's underwriters'
- Helpsheet 260, 'Overlap relief'
- Helpsheet 263, 'Relief for foreign tax paid'
- Helpsheet 321, 'Gains on foreign life insurance policies'

Filling in the 'Trust and Estate Foreign' pages

Gather together the material you need, such as:

- overseas dividend vouchers
- bank statements for overseas accounts
- foreign tax assessments
- receipts for foreign tax paid

The notes in Part A tell you how to complete the 'Trust and Estate Foreign' pages. The pages are divided into 5 sections.

- Page TF 1 is for foreign savings (including income from offshore funds), which are taxable at the basic (20%) rate of tax or the dividend ordinary (8.75%) rate of tax (notes start on page TFN3)
- Page TF 2 is for overseas
  - – income from land and property, except for income from furnished holiday lettings (FHL) in the EEA
  - – disposals of holdings in offshore funds
  - – income from trusts or companies

  Also use it for foreign savings if the beneficiaries of the trust has an absolute interest in income and is taxable on the remittance basis.
- Complete page TF 3 to claim FTCR for foreign tax on
  - – income included in the 'Trust and Estate Trade or Partnership' pages, or boxes 9.14 to 9.16 on page 5, of the Trust and Estate Tax Return (see notes on page TFN8)
  - – chargeable gains included in the 'Trust and Estate Capital Gains' pages (see notes on page TFN9)
- Complete pages TF 4 and TF 5 as appropriate for foreign let property. Summarise the income on page TF 2 (notes start on page TFN9)
- If you think that you'll need more space for all your entries on pages TF 1, TF 2 and TF 3, take copies of these pages before filling them in and use them to give the additional information. Include any amounts shown on the copy pages in the total boxes on pages TF 1, TF 2 and TF 3

Pages TF 1 to TF 5 give the information we need to calculate relief for any foreign tax paid on taxable income or gains that are also chargeable to UK tax. You may be able to set all or part of the foreign tax against the trust's or estate's UK tax bill. This is known as Foreign Tax Credit Relief.

If you want to calculate the Foreign Tax Credit Relief yourself, or you're calculating the trust's or estate's tax bill, refer to Part B of these notes for guidance on how to do this.

Notes on TRUST AND ESTATE FOREIGN

Part A – reporting the trust's or estate's foreign income and claiming Foreign Tax Credit Relief

Arising basis

Except in the special circumstances described below, the trust's or estate's income is taxed as it arises, whether or not it's actually brought to the United Kingdom (UK). You must enter the full amount of income arising from overseas sources on the 'Trust and Estate Foreign' pages. For overseas rental income this means the gross income minus allowable expenses (restricting any residential finance costs appropriately). For all other income, it's simply gross income before tax.

Special circumstances – trustees

Where trust income is payable to a beneficiaries with an absolute interest in income (including a life tenant) or to an annuitant, the trustees' liability to UK Income Tax for the income payable to each beneficiary or annuitant is determined by reference to the residence and, in appropriate cases, the domicile of the beneficiary or annuitant.

Where the beneficiaries or annuitant is not resident in the UK their share of the trusts foreign income is not taxable on the trustees, do not include this income in the Trust and Estate Tax Return.

Where the beneficiaries or annuitant is resident but not domiciled in the UK and the trustees know that the beneficiaries will make a claim for that tax year to be taxed on the remittance basis (see below), the liability of the trustees can be limited to the amount of the beneficiaries or annuitants share of the foreign income that is remitted to the UK.

Trustees must exclude from the Trust and Estate Tax Return any foreign income that is not remitted to the UK. If the beneficiary does not claim the remittance basis, the trustees are assessable on the amount arising.

Remittance basis

Individuals who are resident but not domiciled in the UK must decide each year if they will pay tax on the normal 'arising basis' on all of their worldwide income and chargeable gains or, instead, if they will make a claim to be taxed on the alternative 'remittance basis'. Where the remittance basis applies, the amount of UK tax that must be paid is limited to the tax that is due on any amounts of foreign income and chargeable gains that are remitted to the UK in that tax year.

You can find more information about remittance basis in RDR1, 'Guidance note for residence, domicile and the remittance basis' on our website, go to www.gov.uk and search for 'RDR1'.

Special circumstances – personal representatives

If the personal representatives of the estate of a deceased person are resident in the UK, their taxable income will depend on the domicile of the deceased person, whose estate is being administered, at the date of their death.

If the deceased person was domiciled in the UK, then the personal representatives will be taxable in the normal way on both UK and foreign income.

If the deceased person was domiciled outside the UK, the personal representatives will not be taxable on foreign income. In these circumstances do not include such income. Please also tick box 6.6 on the 'Trust and Estate Non-Residence' pages.

Joint savings and investments

If the trust or estate had savings or investments held jointly with others, enter only the trust's or estate's share of the income.

Unremittable income

If the trust 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 trustees can claim that the unremittable income should not be taxed for the 2022 to 2023 tax year.

If you think this applies to the trust, read the note about 'Entering unremittable income' on page TFN3 of these notes.

Income becoming remittable

Where income arising 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 the 2023 to 2024 tax year. Income may become remittable if, for example, exchange controls are lifted. Include any income to which this applies whether or not it's actually remitted to the UK. Convert the amount of the income and any foreign tax charged on it to sterling using the exchange rate prevailing at the time when the income becomes remittable.

Foreign income: change to sterling

Convert income taxable on the arising basis to sterling at the rate of exchange applicable at the time when the income arose.

Calculate gains on foreign life insurance policies, life annuities and capital redemption policies in the currency in which the policy or life annuity is denominated. Then convert the gain into sterling at the rate of exchange applicable at the time of the chargeable event (which may not be at the time the transaction occurred).

Ask us or your tax advisor if you're unsure of the exchange rate to use.

Foreign tax paid and Foreign Tax Credit Relief

Foreign Tax Credit Relief is normally the most beneficial way to get relief from double taxation, but if you do not wish to claim it for the trust or estate you may instead deduct the foreign tax when calculating the amount of income and gains taxable in the UK.

Example 1

The trust or estate received income of £1,000 on which foreign tax of £150 was withheld at source. If the income is taxable in the UK at 20% and you claim Foreign Tax Credit Relief, the net liability will be (£200 minus £150) = £50.

If you do not claim Foreign Tax Credit Relief, the liability will be: (£1,000 minus £150) = £850 x 20% = £170.

Foreign Tax Credit Relief is not always available for the full amount of foreign tax paid. Relief is subject to the following rules:

- relief is only due if the trust is a UK resident (special rules apply in certain circumstances if the trust or estate is a resident of the Isle of Man or the Channel Islands – ask us or your tax adviser for help)
- the income must arise in the foreign country and be properly taxable under the foreign country's law
- where a Double Taxation Agreement (see page TFN3 of these notes) exists between the UK and the other country, the amount of foreign tax eligible for relief is restricted to the minimum foreign tax payable under the terms of the agreement – if you want to calculate the trust's or estate's tax, check in the appropriate list of countries in the Digest of Double Taxation Treaties to see if a restriction applies to the amount of foreign tax that can be allowed, go to www.gov.uk and search for 'Double Taxation Treaties'.

Withholding tax is tax deducted by the payer when the income is paid to the trust or estate. If the trust or estate has paid foreign tax at a higher rate than that shown for the particular type of income, Foreign Tax Credit Relief is not available for the tax in excess of the agreement rate; therefore approach the overseas tax authority for a refund of the tax paid in excess of the agreement rate.

- where no Double Taxation Agreement (DTA) exists between the UK and the other country, or the DTA does not cover the particular foreign tax, relief is only available if the tax corresponds to UK Income Tax or Capital Gains Tax – if you're in any doubt about this, ask us or your tax advisor
- the amount of Foreign Tax Credit Relief must not exceed the UK tax chargeable on the same item of income or gains on which the foreign tax was calculated
- if you claimed a deduction for foreign tax to arrive at the taxable amount of income or gains, you cannot claim Foreign Tax Credit Relief on that particular item of the trust's or estate's income or gains

Tax deducted from dividends received from the countries listed below is not eligible for Foreign Tax Credit Relief. This is either because:

- the relief is specifically prohibited by the DTA
- the tax is not a direct tax on the dividend itself because it's effectively a payment on account of tax chargeable on the profits and gains of the company paying the dividend

The countries are Antigua, Australia (franked dividends only), Belize, Cyprus, The Gambia, Guernsey, Isle of Man, Jersey, Kiribati, Malaysia, Malta, Montserrat, and Singapore.

Although the tax is not available for credit relief, it may be deducted in calculating the amount of the dividend taxable in the UK (see Example 1 on page TFN2 of these notes).

Double Taxation Agreements (DTAs)

A DTA is an arrangement between 2 countries. It consists of a series of detailed provisions designed to eliminate or relieve the taxation of income or gains in more than one country. It may provide, for example, that a UK resident is exempt from tax, or is liable to a reduced rate of withholding tax, in the foreign country.

Special Withholding Tax (SWT)

SWT is an amount of tax withheld on certain payments to UK residents by some European Member States and other related and third party territories under the terms of the European Savings Directive and equivalent third party agreements. This tax will be in addition to any foreign tax deducted by the country of origin of the payment. The countries that may deduct SWT are:

Andorra	Luxembourg
Austria	Monaco
Curacao	San Marino
Gibraltar	Sint Maarten
Jersey	Switzerland
Liechtenstein	

Where SWT is deducted you're treated as having paid in the year of deduction an equivalent amount of Income Tax in the UK. This can be set against your UK tax liability of that year or repaid to you if the amount exceeds that liability.

Capital Gains Tax

If the proceeds of a transaction, which if a gain were to accrue on it would be a chargeable gain and chargeable to Capital Gains Tax, have had Special Withholding Tax deducted by one of the territories listed in the previous paragraph, enter the total amount in box 4.10A of the 'Trust and Estate Foreign' pages.

Filling in pages TF 1 and TF 2

Give details of overseas:

- interest and other income from savings
- dividends
- income from land and property
- income from trusts or companies abroad
- chargeable event gains

Page TF 3 asks for information about any income or gains included elsewhere in the Trust and Estate Tax Return and which may have suffered foreign tax for which you want to claim credit relief.

Important: you must enter each item of income or gains in any particular category separately (for example, put dividends from each overseas company on a separate line). But see below for how to deal with unremittable income.

For each item the example on page TFN4 of these notes shows you how to make entries:

- in column A, enter the name of the country in which the item of income arose – in the sections dealing with interest and other savings show the nature of the income received in brackets as [I] for interest or [O] for other income as appropriate
- in column B, enter the amount of income before deducting any UK, foreign or Special Withholding Tax, if any, from the income
- in column C, enter the amount of foreign tax paid on the income entered in column B – if the rate of foreign tax you've paid is more than the rate to which, as a UK resident, you were liable under the terms of a DTA, enter the amount of foreign tax at the DTA rate and approach the overseas tax authority for a refund of the excess (you can check in the Digest of Double Taxation Treaties the maximum percentage rates that apply, go to www.gov.uk and search for 'Double Taxation Treaties')
- in column D, enter the amount of UK Income Tax or Special Withholding Tax, if any, deducted from income
- in column E, enter the amount of taxable income – the notes on page TFN4 explain how to work this out
- tick the box in column E if the trust or estate wants to claim Foreign Tax Credit Relief for the item

Entering unremittable income

For each item of income (excluding income from land and property abroad, see page TFN9 of these notes) not remittable to the UK in the 2023 to 2024 tax year:

- in column A, enter the country in which the item of income arose and tick the box
- in column B, enter the amount of the unremittable income, in its foreign currency (delete the £ sign)
- in column C, enter, in its foreign currency, the amount of the foreign tax, if any, paid on the unremittable income (delete the £ sign)
- leave other columns blank

Foreign savings

If the beneficiaries of the trust has an absolute interest in the trust (including a life tenant) and it's known that they will make a claim for the tax year to be taxed only on the amount of their foreign income and gains that is remitted to the UK, then do not include these amounts of foreign savings income remitted to the UK on page TF 2.

Notes on TRUST AND ESTATE FOREIGN

Interest and other income from overseas savings and investments

Filling in the columns

column A Enter the name of the country where the trust's or estate's income arose and in which tax was withheld at source when the interest was paid and add [I] or [O] as appropriate, to indicate whether the income was interest or other income (see the example below).

columns B to D Use a separate row for each country. If you've more than one source of the same type of income from the same country, for example, more than one savings account from the same country – you can add them together (unless exceptionally there's a different tax treatment).

Interest from overseas unit trusts and other investment funds

The information you need to put in these columns will be shown on the trust's or estate'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 the notes on page TFN5).

Interest from other overseas sources

In these columns enter the amounts of interest the trust or estate received from foreign bank accounts, or from foreign company loan stocks, or from 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 the trust's or estate's behalf, this will normally be shown on a certificate of tax paid.

Other income from overseas savings

Enter in these columns any other income that the trust or estate received or was entitled to from overseas savings and investments. Do not include:

- gains on life insurance policies, life annuities and capital redemption policies (see page TFN6)
- income from land and property abroad (see page TFN9)

column E Enter in column E the amount in column B minus, if you are not claiming Foreign Tax Credit Relief for the trust or estate, any foreign tax included in column C.

If you're claiming Foreign Tax Credit Relief for the trust or estate, copy the figure in column B to column E, without deducting any part of the amount in columns C or D, and tick the box in column E.

box 4.1 Add up the figures in column E and enter the total in box 4.1.

box 4.1A Add up the figures in column D and enter the total in box 4.1A. Only put entries of Special Withholding Tax in this column if the income arises in one of the territories listed on page TFN3 of these notes in the section headed Special Withholding Tax.

Dividends and distributions from overseas sources

Exclude:

- distributions made in the course of the liquidation of a foreign company
- distributions that constitute a return of the 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

Where, however, a distribution was not made in the form of shares and the trust or estate accepted cash from the foreign company under an option given to receive cash instead of shares, the cash is taxable – include it on page TF 1.

If you are not sure whether the distributions received by the trust or estate fall into any of the above categories, ask us or your tax adviser for help.

Dividends from foreign companies

Include:

- dividends from foreign companies
- dividends from offshore funds constituted as companies

Your dividend voucher will provide the information needed. There are specific rules relating to the way dividends from offshore funds which are substantially invested in interest-bearing assets (commonly known as 'bond funds') are treated for tax purposes. Your fund manager will tell you if the fund is a 'bond fund'.

Other distributions from overseas sources

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

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 – include it on page TF 1.

If you are not sure whether the distributions received by the trust or estate fall into any of the above categories, ask us or your tax adviser for help.

Foreign savings

Fill in columns A to E, and tick the box in column E if you want to claim Foreign Tax Credit Relief.

	Country A (tick box if income is unremittable)		Amount before tax B	Foreign tax C	Special Withholding Tax D	Amount chargeable E	tick box to claim Foreign Tax Credit Relief
Interest and other savings income	USA	[O]	£ 120	£ 18	£	£ 120	✓
	Germany	[O]	£ 60	£ 9	£	£ 60	✓
	Germany	[O]	£ 500	£ 75	£	£ 500	✓
	Jersey	[I]	£ 120	£ 0	£ 42	£ 120	

Interest and other savings income

Dividend tax credits

Dividends paid after 5 April 2016

Dividends received after 5 April 2016 no longer qualify for a dividend tax credit.

Trustees do not qualify for the dividend allowance introduced for individuals from April 2016. This means trustees pay tax on all dividends depending on the tax band they fall within. For more information, go to www.gov.uk/trusts-taxes/trusts-and-income-tax

Remittance basis

If the beneficiaries of the trust has an absolute interest in the trust (including a life tenant) and it is known that they will make a claim to be taxed on the remittance basis, include on page TF 2 (not page TF 1) only amounts of foreign income that have been 'remitted'.

Add up all the dividends and distributions from overseas sources included in column E on page TF 2. Use the 'Additional information' box 4.39 on page TF 5 to make the following declaration.

> The amount in box 4.4 on page TF 2 includes a total of £ (x) in dividends and distributions from overseas sources.

Filling in the columns

column A Enter the name of the country where the trust's or estate's income arose and in which tax has been withheld at source when the dividend was paid.

columns B to D Each share or unit holding in a different company constitutes a separate source for tax purposes. Enter the income from each holding on a separate line.

Dividends received

Enter the amounts of the gross dividend received and the foreign tax paid in the year ended 5 April 2023 as shown on the agent's voucher.

Income from overseas unit trusts and other investment funds

The information you need to complete these columns will be shown on the trust's or estate's unit trust or fund voucher. 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. If you do not have a tax voucher ask the fund administrator for one.

Other distributions from overseas sources

If you've received a distribution from a foreign company other than in the form of a cash dividend, enter the sterling value of these assets at the date of distribution, unless the assets are released on liquidation or represent a return of capital. For example, if the company has released some of its assets (such as shares it holds in another company) to its shareholders. If you're in doubt, ask us or your tax adviser for help.

column E Enter in column E the amount in column B minus, if you are not claiming Foreign Tax Credit Relief for the trust or estate, any foreign tax included in column C.

If you're claiming Foreign Tax Credit Relief for the trust or estate, copy the figure in column B to column E, without deducting any part of the amount in columns C or D, and tick the box in column E.

box 4.2 Add up the figures in column E and enter the total in box 4.2.

box 4.2A Add up the figures in column D and enter the total in box 4.2A. Only put entries of Special Withholding Tax in this column if the income arises in one of the territories listed on page TFN3 of these notes in the section headed Special Withholding Tax.

box 4.4A The amount entered in this box will be used as a basis for calculating a reduction in Income Tax and different rules apply depending on the type of trust. To check if your trust qualifies for the reduction in Income Tax, read the guidance 'Income from land and property abroad' on page TFN 9.

Transfer the amount from either box 4.32A or box 4.37B into box 4.4A.

box 4.4B Put any unused residential property finance costs from earlier years in box 4.4B. Any balance of the residential finance costs which is still unrelieved, may be carried forward to future years of the same property business.

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

For more information about trusts, go to www.gov.uk/trusts-taxes

Other overseas income

Disposals of holdings in offshore funds

box 4.5 Return any income received by the trust or estate from the offshore fund on page TF 2 in box 4.5 or on page 4 of the Trust and Estate Tax Return, as appropriate. The voucher or fund manager will give relevant details about the type of income arising.

The trust or estate may need to make an entry in box 9.24 of the Trust and Estate Tax Return if it has disposed of an interest in an offshore fund. The rules relating to this can be quite complex; HM Revenue and Customs has published guidance in its Investments Funds Manual at www.gov.uk/government/collections/hmrc-manuals or ask your tax adviser. The following is only a general overview.

The term 'offshore fund' is defined in UK tax legislation. Broadly, this type of 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 generally are not offshore funds but 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 is not the case, then put any gain or loss on disposal on the 'Trust and Estate Capital Gains' pages (SA905) and not in box 9.24. If this applies, go to www.gov.uk and search for 'SA905'.

Income from non-resident trusts

box 4.5 If the trustees have an absolute entitlement to the income from a non-UK resident trust, enter only the foreign source income here. Enter UK source income on the tax return as though the income arose directly to you. For example, enter dividend income from a UK company in box 9.10 on page 5 of the Trust and Estate Tax Return. If the trustees have received a discretionary payment from the non-UK resident trust, enter all of the income in box 4.5.

Gains on foreign life insurance policies, life annuities and capital redemption policies

boxes 4.6 to 4.8 Boxes 4.6 to 4.8 are for gains on foreign life insurance policies, foreign life annuities and foreign capital redemption policies.

If during the year any of the following applied in connection with a foreign life insurance policy, life annuity or capital redemption policy held by the trust or estate then there may be a gain to include in boxes 4.6 to 4.8:

- cash or other benefits were received from the policy or life annuity by part-withdrawal or on a surrender, maturity or death
- the whole or part of the policy or life annuity was sold
- a loan was made to the personal representatives or trustees or, at their direction, to someone else, either by the insurer or by arrangement with the insurer
- the policy or life annuity was a Personal Portfolio Bond in the year (even if the insurer has not paid cash or other benefits during the year in connection with that bond)

'Gains' in relation to foreign life insurance policies, life annuities and capital redemption policies are chargeable event gains which are sometimes referred to as 'chargeable gains'. They're taxable as income not capital gains so capital losses and the annual exempt amount cannot be set against them. This means that chargeable event gains must not be included on the 'Trust and Estate Capital Gains' pages.

In many cases, the foreign insurer will send you a chargeable event certificate including the date and nature of the chargeable event, the amount of the gain and whether basic rate tax is treated as having been paid. For policies taken out before 6 April 2000, information may be limited to the date and nature of the event and benefits payable.

The purpose of these notes is to help you decide whether there's a gain, whether it needs to be entered on the 'Trust and Estate Foreign' pages and, if so, what to include.

You can find more information about what are foreign insurance policies and contracts or Personal Portfolio Bonds both below and in Helpsheet 321, 'Gains on foreign life insurance policies'.

Is the policy a 'foreign policy'?

A foreign policy is normally one issued by an insurer from outside the UK.

A UK insurer may also issue a foreign policy as part of its 'Overseas Life Assurance Business'. This is a type of policy sold by a UK insurer to a person who, at the time it was taken out, was residing outside the UK. Gains from this type of policy are treated as gains from a foreign policy if the policy was taken out on or after 17 March 1998. However, gains from Overseas Life Assurance Business policies which were taken out before 17 March 1998 are treated as arising from UK policies – enter details of these gains in boxes 9.14 to 9.16 of the Trust and Estate Tax Return. If you think that a gain might have been made on an Overseas Life Assurance Business policy taken out before 17 March 1998, contact your insurer to confirm the position.

General guidance for trustees and personal representatives

Not all payments from, or assignments of, foreign policies or other contracts give rise to gains. In particular (but not exclusively) there's likely to be no gain where:

- a payment has been received from a 'qualifying' life insurance policy (most foreign policies are not qualifying policies but there's more guidance on this in Helpsheet 321, 'Gains on foreign life insurance policies')
- a payment has been received from a policy for which a single premium was paid and the payment received is 5% or less of the premium
- a payment has been received from a pension annuity

Helpsheet 321, 'Gains on foreign life insurance policies' contains more information and general guidance about how gains are taxed. The helpsheet also explains how the rules apply to a trust created by more than one person and says more about 'enhancements'.

Does the gain need to be included on the Trust and Estate Return?

A gain may be taxable on some person other than the trustees or the personal representatives. To determine whether you need to include a gain on the 'Trust and Estate Foreign' pages go to the section below headed 'Personal representatives' or the section headed 'Trustees' as appropriate.

Personal representatives

Many policies and life annuities terminate as a result of the death of their beneficial owner. If so, the gain is treated as income of the deceased taxpayer arising immediately before death. Such a gain arising on death is also treated as income of the deceased taxpayer if the policy is held in a trust that the deceased created or contributed to. This is also the case where the policy which is held in trust continues to run after death and is surrendered or matures after death but before the start of the next tax year on the following 6 April. It is not income of the estate or the trustees.

But, where the foreign life insurance policy, foreign life annuity or foreign capital redemption policy continues to run after death, and is not held in trust, the gain treated as arising in connection with the continuing policy or annuity is treated as income of the estate when it's surrendered or sold.

Most gains on foreign policies are not treated as having been taxed at the basic rate. Enter details of these gains in box 4.6. There's guidance below and in Helpsheet 321, 'Gains on foreign life insurance policies' about when exceptionally a gain on a foreign policy is treated as having had basic rate tax paid.

Trustees

If the rights under a policy or life annuity are held in trust, any gain is usually treated as income of the person who created the trust, not of the trust itself. If this is the case, send a copy of any certificate reporting the chargeable event gain to that person.

If the trust is a charity then any gain is treated as income of the trustees of the charity and is taxable on them at the basic rate of 20%. The trustees fill in boxes 4.6 to 4.8 in accordance with the guidance below.

The gain is deemed to be income of the trustees of a trust, which is resident in the UK and is not a charity, if the trust or trusts were created by:

- an individual who is not resident in the UK
- an individual who was deceased at the time of the chargeable event unless the gain arose before the end of the year of assessment in which the creator of the trust died, in which case it's treated as income of the deceased
- a company or other entity that is non-resident, has been dissolved, wound up or has otherwise come to an end
- a body or person other than a company or individual, such as another trust (but only if the policy was taken out on or after 9 April 2003)

These rules also apply where the rights under a policy or life annuity are held as security for a debt owed by UK trustees.

Trustees must not include gains made on the foreign life insurance policy, foreign life annuity or foreign capital redemption policy on the foreign pages of the Trust and Estate Tax Return in the following 2 situations.

The first situation is where the trust is a bare trust. A gain on a foreign policy or life annuity held in a bare trust is treated as income of the beneficiary of the trust. Include it in the pages of the beneficiary's tax return as a chargeable event gain – boxes 43 to 45 on the 'Foreign' pages (for individuals) for foreign policies and life annuities. Send copies of any certificates which you've received reporting these gains to the relevant beneficiary.

The second situation is where:

- the foreign policy or life annuity was taken out before 17 March 1998
- it has not been 'enhanced' on or after 17 March 1998 by paying further non-contractual premiums or in any other way
- the trust or trusts were created by an individual who died before 17 March 1998, or if created by more than one person, at least one of those persons was an individual who died before this date

In these circumstances neither the trustees nor the creators of the trust are liable for tax on the gain.

Completion of boxes 4.6 to 4.8

If a certificate has been received showing the benefits paid or chargeable event gain to be treated as income of the personal representatives or trustees, then that will assist you in completing these boxes.

In some cases the insurer may have sent you more than one certificate relating to a particular gain, with the later certificate showing a revised figure of benefits paid or amount of chargeable event gain. In this case, use the details on that later certificate.

Enter the whole amount of the gain on the return. There's guidance, if you need it, in Helpsheet 321, 'Gains on foreign life insurance policies' on how to calculate the gain in all common circumstances.

A Personal Portfolio Bond is treated as giving rise to an annual gain even if the insurer has not paid any benefits and none of the policy has been sold. In general, a Personal Portfolio Bond is a life insurance policy where the benefits payable are determined by the value of certain property chosen directly or indirectly by the policyholder, rather than investment funds generally available to other policyholders. If in doubt, ask your insurer to tell you what sort of policy or annuity you have, and whether there has been a chargeable event and a gain. There's more guidance in Helpsheet 321, 'Gains on foreign life insurance policies'.

Box 4.6 – no tax treated as paid on the gain

Most gains from foreign policies and life annuities are taxable in full. In general, no tax will be treated as paid on the gain. Where no tax has been treated as paid on the gain, trustees and personal representatives should enter the amount of the gain in box 4.6.

Boxes 4.7 and 4.8 – tax treated as paid on the gain

In rare cases, tax may be treated as having been paid on gains from foreign policies or life annuities. If you think that the gain may be entitled to have tax treated as paid on it, you should refer to Helpsheet 321, 'Gains on foreign life insurance policies'. If, exceptionally, tax is treated as having been paid then trustees should enter the gain in box 4.8 and the tax treated as paid in box 4.7. The tax treated as paid is 20% of the amount in box 4.8. Personal representatives have no further liability to tax on these gains and must not make any entry for them in boxes 4.6, 4.7 and 4.8.

The rules for completing boxes 4.6 to 4.8 may be different if the gain arises in connection with:

- a foreign life policy taken out on or before 17 November 1983 and not 'enhanced' since that date
- a capital redemption policy taken out on or before 22 February 1984 and not 'enhanced' since that date

If you've one of these types of policy, Helpsheet 321, 'Gains on foreign life insurance policies' contains more information about what entries to make on the 'Trust and Estate Foreign' pages.

Multiple gains

If in your capacity as personal representative or trustee there's more than one gain to include on the 'Trust and Estate Foreign' pages, add together the amounts of the gains and any tax treated as paid and enter the totals for each in boxes 4.6 to 4.8 as appropriate according to the guidance above.

Filling in page TF 3

The entries you make on page TF 3 are for the purpose of calculating Foreign Tax Credit Relief, with one exception. Please read the note for box 4.9 on page TFN9.

This section allows you to calculate Foreign Tax Credit Relief. Only fill in page TF 3 if you've completed the 'Trust and Estate' pages for:

- Trade
- Partnerships
- Capital gains
- boxes 9.14 to 9.16 on page 5 of the Trust and Estate Tax Return
- any other income included elsewhere on the 'Trust and Estate Foreign' pages

and the trust or estate has paid foreign tax on that income or those gains, and you want to claim Foreign Tax Credit Relief for the foreign tax. Remember you cannot claim Foreign Tax Credit Relief for any foreign tax deducted when calculating the taxable amount of any of the trust's or estate's income (or gains).

Foreign Tax Credit Relief for foreign tax paid on trade, partnership and other income

For income from membership of Lloyd's please see Helpsheet 240, 'Lloyd's underwriters' for guidance on completing this part of the 'Trust and Estate Foreign' pages.

column A Enter the name of the country where the trust's or estate's income arose and whose tax has been deducted from that income.

column C Enter in sterling the amount of foreign tax paid.

column E Enter the gross amount of income you've reported elsewhere and on which foreign tax has been paid.

If the trust or estate carried on a trade, profession or vocation in the UK, and the gross receipts of the business include income on which it has paid foreign tax, you need to calculate the amount of the overall profits attributable to the overseas receipts. Do this by attributing the profit in proportion to geographical turnover, or by a more precise allocation of business expenses against the foreign receipts.

If the source of income is the overseas branch of a UK business, enter in column E the gross profits earned by the branch. You might be asked later for a copy of the branch accounts.

Overlap relief and Foreign Tax Credit Relief

You can deduct overlap profits, which arose in an earlier year, as 'overlap relief' in working out taxable business profits for the 2023 to 2024 tax year, if:

- the trust or estate sold or closed down the business in the 2023 to 2024 tax year
- the trust's accounting date changed in a previous tax year and overlap relief was not deducted at that time, when it should have been
- the trust had an accounting date that was not between 31 March and 5 April 2023 in the 2022 to 2023 tax year

If the trust or estate is claiming overlap relief for the 2023 to 2024 and the overlap profits available include profits for which Foreign Tax Credit Relief for foreign tax paid was allowed in an earlier year, all or part of that Foreign Tax Credit Relief is recoverable in the 2023 to 2024 tax year.

The amount to be recovered is the amount of additional Foreign Tax Credit Relief that was allowed in earlier years for the overlap relief in the 2023 to 2024 tax year.

Example 2

A business commences on 1 October 2021 and draws up its accounts each year to 30 September. It makes consistent foreign profits of £10,000 each 12-month period of account and pays £1,500 foreign tax on these profits each year.

The basis period reform transition year is in the tax year 2023 to 2024.

In the tax year 2021 to 2022:

- the basis period runs from 01/10/21 to 05/04/22
- profit in the basis period is £5,000
- Foreign Tax Credit Relief is £750

In the tax year 2022 to 2023:

- the basis period runs from 01/10/21 to 30/09/22
- profit in the basis period is £10,000
- Foreign Tax Credit Relief is £1,500

In the tax year 2022 to 2023:

- the tax year basis runs from 06/04/24 to 05/04/25
- profit in the tax year is £10,000
- Foreign Tax Credit Relief is £1,500

In the tax year 2023 to 2024:

- the transition basis period runs from 01/10/22 to 05/04/24
- profit in the basis period is £15,000 minus £5,000 overlap relief, giving £10,000
- Foreign Tax Credits Relief is £2,250, minus £750 Foreign Tax Credit Relief recoverable, giving £1,500

There is an overlap period of 6 months, from 01/10/21 to 05/04/22. This gives an overlap profit of £5,000 which has been subject to foreign tax of £750.

In the 2 years when the overlap profits were taxable, a total of £2,250 Foreign Tax Credit Relief was allowed for that £1,500 in foreign tax.

If £5,000 of the overlap profits are deducted as overlap relief in the basis period reform transition year of 2023 to 2024, then the £750 additional Foreign Tax Credit Relief is recoverable in 2023 to 2024.

You'll need Helpsheet 260, 'Overlap relief' if:

- you've entered a figure for overlap relief in box 1.78, 1.79 or box 1.84B of the 'Trust and Estate Trade' pages
- relief by way of credit for foreign tax was previously allowed for the overlap profits now deducted
- you want to calculate your tax

This gives you a figure of Foreign Tax Credit Relief which needs to be recovered. Copy the figure to box 17.2 of the Trust and Estate Tax Return.

Calculating your Foreign Tax Credit Relief

boxes 4.9 and 4.9A If you calculate the Foreign Tax Credit Relief on the trust's or estate's income, enter the total in box 4.9. Also complete box 4.9A, enter zero if appropriate. The notes below explain how to do this.

Where only part of the trust income is chargeable at the trust rate, you will need to calculate the Foreign Tax Credit Relief on that part whether or not you're calculating the overall tax bill of the trust.

Foreign Tax Credit Relief for foreign tax paid on chargeable gains

Enter the following details for each event that has given rise to a chargeable gain in the columns of page TF 3 of your 'Trust and Estate Foreign' pages as follows:

- the amount in sterling of the chargeable gain worked out following UK rules (see the 'Trust and Estate Capital Gains' pages)
- the amount in sterling of foreign tax paid

Please note that the middle 3 columns of page TF 3 are now obsolete. If you're calculating the trust's or estate's tax and wish to claim relief for foreign tax by way of credit against UK Capital Gains Tax liability, you'll need Helpsheet 263, 'Relief for foreign tax paid'.

box 4.10 If you've calculated Foreign Tax Credit Relief on the gains, include the total in box 4.10.

You only need to read the rest of these notes if you want to calculate the trust's or estate's tax or if only part of the trust income is chargeable to tax at the trust rate. Otherwise ignore what follows and finish filling in the Trust and Estate Tax Return.

Income from land and property abroad

Furnished holiday lettings in the European Economic Area (EEA)

If you've income from the commercial letting of furnished holiday accommodation in the EEA, you can claim the same reliefs that apply to commercially let holiday accommodation in the UK. If you let qualifying holiday accommodation in the EEA, see Helpsheet 253, 'Furnished holiday lettings' for more information. You'll need to complete the 'Trust and Estate UK Property' pages. The notes for those pages tell you how to do this.

If you want to claim Foreign Tax Credit Relief for any foreign tax paid, complete page TF 3.

Residential property finance costs restriction

The cost of getting a loan or alternative finance to buy a property that's let, and any interest on those loans and alternative finance is restricted for residential let properties. For the tax year 6 April 2023 to 5 April 2024, no residential finance costs are allowable as a deduction for each property business.

Accumulation or discretionary trusts can use the finance costs as a basis for calculating their basic rate tax reduction. These trusts include residential finance costs in box 4.32A or box 4.37B.

For estates of deceased persons and interest in possession trusts, do not enter an amount in box 4.32A or box 4.37B. The finance costs are used by the beneficiaries as a basis for calculating their basic rate tax reductions. You'll need to tell the beneficiaries the figures for the profits of each property business and the finance costs that relate to each business.

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 TF 2

How you fill in page TF 2 for overseas land and property depends on whether the income is taxable on the remittance basis, or the arising basis.

Remittance basis

If you know that the beneficiaries will claim to pay tax on the remittance basis.

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

column B Enter the full amount of income from property remitted to the UK (excluding the appropriate proportion of residential finance costs).

column C Enter the amount of any foreign tax paid that is attributable to the income shown in column B. If not all the trust's or estate's overseas rental income was remitted to the UK, apportion any foreign tax paid on the total letting income accordingly.

column D Leave column D blank.

Example 3

The trust's overseas rents are £10,000, on which foreign tax of £2,000 was paid to the overseas tax authority. If £6,000 of the net after tax income (£8,000) was remitted to the UK, the foreign tax attributable to that amount is:

$$\frac{£6,000}{£8,000} \times £2,000 = £1,500$$

Enter £7,500 (that is £6,000 plus £1,500) in column B and £1,500 in column C.

column E If you wish to claim Foreign Tax Credit Relief (see the notes on page TFN2), copy the figure in column B to column E. This is the amount on which UK tax is charged. Tick the box in column E.

If you do not wish to claim Foreign Tax Credit Relief, deduct the figure in column C from that in column B and enter the net amount in column E. Do not tick the box in column E.

Arising basis

If the income is not taxable on the remittance basis, then the arising basis applies (see the notes on page TFN2) and the full amount of overseas rental income for the year ended 5 April 2024 is taxable whether or not the income is brought to the UK.

Before you fill in columns A to E on page TF 2, complete pages TF 4 and TF 5. Fill in page TF 4 if there's only one overseas let property or if there's more than one but they are all in the same foreign country, or if there is more than one but there has been no foreign tax deducted from the income.

Otherwise, fill in a copy of page TF 4 for each overseas let property. You can either take copies of page TF 4 before you start filling it in or get copies of the 'Trust and Estate Foreign' pages from our website. Go to www.gov.uk and search for 'SA904'.

Please put the trust's or estate's name and tax reference next to the property address box on each copy of page TF 4 you fill in.

Filling in page TF 4

First, enter the full address of the property, or if page TF 4 is to be used for more than one let property, the address of the first property. Use the 'Additional information' box, box 4.39 on page TF 5 for the addresses of the other properties.

Income

box 4.11 If you enter into any transaction that produces rents or other receipts from any rights or interests held in land or property situated abroad, those rents and receipts are taxable.

Enter in box 4.11 the full amount of the receipts from the property in question, but excluding any chargeable premiums. These go straight onto page TF 2. See the notes below. Income includes receipts in cash or in kind. It's taxed when it's earned, even if the money or goods were not received until later.

Include any rent received (or to be received) after 5 April 2024, that is payment for the year ended 5 April 2024 (because it's paid in arrears). Exclude any rent received that relates to any period after 5 April 2023 (because it's paid in advance). For example, if the tenant is required to pay rent in advance, exclude the proportion paid that is related to the period after 5 April 2024. It must be included in the income for the year to which it relates.

Make sure you do not count money the trust or estate received in this year if it was included in an earlier year.

Broadly, most income will be rental income from a tenancy, leasing, or licensing agreements over the trust's or estate's 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 taxable as income from the trust's or estate's business. Add all this income together and enter it in box 4.11.

Receipts other than rents are also taxable. Examples are rent charges and ground rents, income arising from the grant of sporting rights, and income from waste tipping. If you're in doubt about whether to include a particular sum as income, ask us or your tax adviser.

Chargeable premiums

Premiums paid for the grant of a lease and certain other lump sum payments and other forms of consideration given in connection with the right to possession of a property abroad 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 taxable income. For leases of less than 50 years, the premium is treated as partly capital and partly rent and only the rent is taxable.

Use the working sheet below to calculate the taxable amount.

Working sheet: 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 on page TF 2.

If the trust or estate has paid foreign tax on the premium, apportion the foreign tax as appropriate and enter the amount attributable to the part of the premium which is taxable in the UK (box E) in column C.

If you want to claim relief by way of credit for foreign tax paid, copy the figure in column B to column E and tick the box in column E.

If you do not want to claim Foreign Tax Credit Relief, deduct the figure in column C from that in column B and enter the difference in column E. Do not tick the box in column E.

If you're in doubt about whether any payment received constitutes a premium, ask us or your tax adviser.

If you receive a payment or other benefit as an inducement to take an interest in any property, other than your main residence, for letting, the receipt will be chargeable as income from property. Include the receipt in box 4.11. If you receive an inducement for premises from which you are to trade, see the note for box 1.91 on page TTN7 of the notes on Trust and Estate Trade.

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

box 4.11A Tick box 4.11A if box 4.11 contains income from more than one overseas let property.

box 4.11B Tick box 4.11B if box 4.11 contains income that is unremittable. Fill in a separate page TF 4 for each property producing unremittable income. Exclude the box 4.26 or box 4.27 figure from the 'Taxable profit or loss' column on page TF 5.

box 4.11C Estates only, put 'X' in box 4.11C if you used traditional accounting rather than cash basis to calculate your income and expenses.

Trusts cannot use cash basis. For estates of deceased persons, 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 4.11C and box 3.1A on the SA903.

Cash basis

For estates of deceased persons, 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're owed at the end of the year.

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 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 box 4.11C and box 3.1A on the SA903.

Transitional adjustments

If you're changing accounting practice, you may need to make a transitional adjustment. For more information, 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 4.11 and all transitional expenses in box 4.17.

Expenses

If total property income in the year before expenses is less than £15,000 annually, you do not have to list expenses separately. Instead put total expenses in box 4.17.

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

On this page are some examples of expenses you cannot deduct and those you may (non-allowable and allowable expenses).

Non-allowable expenses can include:

- personal expenses (see the notes for box 4.20 on page TFN12)
- capital costs, such as expenses relating to the purchase of the land or property the trust or estate intends to let, or for the cost of purchasing machinery, furnishings or furniture
- any loss made on the sale of a property

Allowable expenses can include:

- in general any costs the trust or estate incurs for the sole purpose of earning business profits
- the trust or estate may be able to claim the cost of replacing domestic items or capital allowances on the cost of buying a capital asset

Remember that 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.

Rent, rates, insurance, etc

box 4.12 If the trust or estate holds a leasehold interest in a property that is let to someone else, any rent the trust or estate pays under the lease can be deducted in working out the taxable income. Other similar expenses connected with the property, such as local rates or ground rents, are also allowable.

Include in the figure at box 4.12 any expenses that the trust or estate is obliged to incur as landlord insuring the let property and its contents. Insurance against loss of rents is also an allowable cost but you must include in box 4.11 any income the trust or estate receives as a result of taking out this type of insurance. The cost of insurances not connected with the letting business, such as personal policies or those insuring private belongings are not, however, allowable expenses.

Repairs and maintenance

box 4.13

Repairs and maintenance

Expenses that prevent the property from deteriorating can be deducted as a repair. Examples of allowable repairs include exterior and interior painting, stone-cleaning, damp treatment, roof repairs, furniture repairs, and repairs to lifts and other machines which 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 are so extensive they amount to the reconstruction of the property
- there has been a change in the use of the property that made the maintenance or repairs unnecessary

Renewals

The renewal 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 4.24. Enter in box 4.13 the total of any expenses on repairs and maintenance incurred in the 2023 to 2024 tax year for the property in question. If you're in doubt about whether any work undertaken on the property constitutes a repair, ask us or your tax adviser.

Non-residential property finance costs

box 4.14 Any expenses incurred getting a loan or an alternative finance arrangement to buy the property that the trust or estate lets, together with any interest payable on these loans or alternative finance payments under an alternative finance arrangement. An alternative finance payment is the charge made by your finance provider over and above the original cost of the asset in the alternative finance arrangement.

If the whole of the property was not let, or if the property was not available for letting for the whole of the year, apportion the interest or alternative finance payments payable. You cannot claim the full amount relating to residential property income.

Show only the amount that is attributable to the letting of the property in box 4.14. The cost of getting a loan or alternative finance to buy a property that's let, and any interest on those loans and alternative finance is restricted for residential let properties. For the tax year 6 April 2023 to 5 April 2024, no residential property finance costs are allowable as a deduction for each property business.

Accumulation or discretionary trusts can use the finance costs as a basis for calculating their basic rate reduction. These trusts include residential finance costs in box 4.32A or box 4.37B.

For estates of deceased persons and interest in possession trusts, do not enter an amount in box 4.32A or box 4.37B. The finance costs are used by the beneficiaries as a basis for calculating their basic rate reductions. You'll need to tell the beneficiaries the figures for the profits of each property business and the finance costs that relate to each business.

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

Legal and professional costs

box 4.15 Below are some examples of expenses you cannot deduct and those you may.

Non-allowable expenses can include:

- 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
- for example, any proportion of the legal – costs which relate to the payment of a premium on the renewal of a lease
- fees incurred getting planning permission or on the registration of title when buying a property

Allowable expenses can include:

- expenses for the let of a year or less
- the normal legal and professional fees incurred by the trust or estate on the renewal of a lease, if the lease is for less than 50 years
- professional fees in drawing up accounts
- professional fees incurred evicting an unsatisfactory tenant, with a view to re-letting, or those on an appeal against a compulsory purchase order

If you're unsure whether any legal or professional fee is allowable as a deduction, ask us or your tax adviser.

- Cost of services provided, including wages

box 4.16 If, in addition to letting the property, the trust or estate provides services to a tenant, such as gardening, porterage, or cleaning, you can claim the cost of these services to the extent that they're provided wholly and exclusively for the purposes of the letting.

Enter in box 4.16 the cost of services provided in connection with the letting of the property in question. If the tenant makes a separate payment for the services over and above the normal rent, make sure that the payments are included as income in box 4.11.

- Other expenses

box 4.17 Enter in box 4.17 all expenditure incurred wholly and exclusively for the purposes of the letting that has not already been included at boxes 4.12 to 4.16. Examples include the cost of rent collection, advertising for tenants, stationery, phone calls and other miscellaneous expenditure.

Personal expenditure is not allowable. If money is spent on something only partly used for the purposes of the letting, you must exclude the amount not attributable to the letting or enter the whole amount in box 4.17 and deduct in box 4.20 the proportion of the cost which represents private use.

Tax adjustments to net profit (or loss)

- Private use proportions

box 4.20 Personal and private expenditure is not allowable as a deduction. If you spend money on something that is only partly used for your property business and partly for a non-business reason, you must either:

- enter the amount expended for the purposes of the letting in boxes 4.12 to 4.17
- enter the full amount of the expenses in those boxes and deduct in box 4.20 the proportion of the cost which represents the private or non-letting element

For example, where the property was let for only 8 months of the year and you used it yourself, or allowed friends or relatives to use it for the rest of the year, if you enter the full annual cost of insuring the property in box 4.12, add back 1/3 of that amount in box 4.20.

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

- Capital allowances and balancing charges

boxes 4.21, 4.21A, 4.21B, 4.21C and 4.23 The cost of buying, altering, building, installing or improving fixed assets, or depreciation or losses which arise when the trust or estate sells or otherwise disposes of them, are not allowable deductions in calculating rental income.

Instead you may sometimes claim capital allowances in boxes 4.21A to 4.23. These reduce a profit or increase a loss. An adjustment, known as a 'balancing charge', may arise when the trust or estate sells an item, gives it away or simply stops using it in its letting business. Enter the amount of a balancing charge in box 4.21. This will increase profits or reduce losses.

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

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 the first year allowance or annual investment allowance for the expenditure. It is not necessary for the last 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 into any pool as the disposal value will be the same amount as the amount the buyer can bring in as the acquisition value for capital allowance purposes.

Exclusion for dwelling houses

If, however, the trust has income from property that is not a furnished holiday letting and the property that the trust or estate lets is a dwelling house (including a flat), capital allowances are not available on any plant or machinery, furniture or fittings for use in the dwelling house.

box 4.21A You can claim 100% first year capital allowances for the 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 4.21A.

box 4.21B If you're eligible to claim the Structures and Buildings Allowance (SBA) put the amount of the claim in box 4.21B.
If you're claiming for the first time for a particular structure or building, use the 'Additional information' box, box 4.39, to record the:

- date the building first came into qualifying use or if later, the date the qualifying expenditure was incurred
- total amount of 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 4.21C 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.

Your tax advisor, if you have one, will tell you how to calculate capital allowances and balancing charges. If you do not have a tax adviser go to www.gov.uk/business-tax/capital-allowances for more information.

- Cost of replacing domestic items

box 4.24 If the trust or estate lets any residential accommodation (other than a furnished holiday letting), capital allowances are not available on expenditure on assets in the dwelling house. For more information, go to www.gov.uk/business-tax/capital-allowances

Instead, the trust or estate can claim the cost of replacing domestic items in the accommodation by making an entry in box 4.24. This cost can be claimed where:

- the cost is 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, floors coverings
- household appliances, for example, televisions, fridges, freezers
- kitchenware, for example, crockery, cutlery

The trust or estate can claim capital allowances if it lets furnished, but not residential, accommodation. If capital allowances can be claimed, you cannot claim the cost of replacing domestic items.

The alternative renewals allowance is no longer available – the notes for box 4.13 explain the expenses available.

boxes 4.26 and 4.27

If you filled in one page TF 4

Enter any net profit in box 4.26. If there's a net loss, enter '0' in box 4.26 and the amount of the loss in box 4.27. Go on to page TF 5.

If you filled in more than one page TF 4

Enter any net profit in box 4.26. If there's a net loss, enter '0' in box 4.26 and the amount of the loss in box 4.27. Go on to page TF 5. If you completed one page TF 4 fill in boxes 4.28 to 4.32. If you completed more than one page TF 4 provide details about each let property, using a separate line of the grid for each, and then fill in boxes 4.33 to 4.38.

Filling in page TF 5

Taxable profit for the year if you filled in only one page TF 4

boxes 4.28 and 4.29 If you completed only one page TF 4 and there's more than one let property then the profits and losses of all the rented properties must be pooled in order to calculate the overall result. Any losses from overseas let property that were unrelieved at 5 April 2022 may be deducted from, or added to, the overall profit or loss respectively.

box 4.30 If box 4.28 is a profit take away any losses brought forward in box 4.29 and enter the result in box 4.30. Copy box 4.30 to column B on page TF 2.

Loss offset against total income

box 4.30A The trust or estate can claim to have the loss from its rental business set off against its total income if the loss arises from certain capital allowances claims. Relief is limited to the lowest of the following 3 figures:

- the amount of any capital allowances in box 4.23 after deduction of any balancing charge in box 4.21
- the amount of the loss in box 4.27
- the amount of the other income

If the capital allowances do not exceed the balancing charge no sideways relief is available.

Losses to carry forward

box 4.31 This will be the total of any loss from this year at box 4.27 plus any losses brought forward in box 4.29 less any loss set against total income, box 4.30A. Make a note of the amount. You'll need this figure when completing next year's Trust and Estate Tax Return.

box 4.32 If you've paid foreign tax enter the amount of foreign tax paid in box 4.32. Copy box 4.32 to column C on page TF 2 and fill in columns A and E as appropriate.

box 4.32A Accumulation or discretionary trusts enter residential finance costs in box 4.32A. This amount will be used to calculate a reduction in Income Tax.

For estates of deceased persons and interest in possession trusts, do not put the finance costs in box 4.32A. Instead, the finance costs are used by the beneficiaries as a basis for calculating their basic rate reductions. You'll need to tell the beneficiaries the figures for the profits of each property business and the finance costs that relate to each business.

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

Loss offset against total income

box 4.37A The trust or estate can claim to have the loss from its rental business set off against its total income if the loss arises from certain capital allowances claims. Relief is limited to the lowest of the following 3 figures:

- the amount of any capital allowances in box 4.23 after deduction of any balancing charge in box 4.21
- the amount of the loss in box 4.27
- the amount of the other income

If the capital allowances do not exceed the balancing charge no sideways relief is available.

Filling in the columns on page TF 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 4.30.

column C Enter the amount of any foreign tax paid for income chargeable to UK tax from box 4.32.

column D Enter any UK tax deducted.

column E If you are not claiming Foreign Tax Credit Relief enter the amount in column B minus any foreign tax in column C.

If you're claiming Foreign Tax Credit Relief, copy the figure in column B to column E. Tick the box in column E to claim Foreign Tax Credit Relief.

Taxable profit for the year if you filled in more than one page TF 4

boxes 4.33 and 4.35 Profits and losses of all the let properties must be pooled in order to calculate the overall result. Any losses from overseas let properties that were unrelieved at 5 April 2023 may be deducted from, or added to, the overall profit or loss respectively.

Normally, the tax authorities of the country where the let property is situated will also charge tax on the letting profits. If no further relief was given this would mean that you 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 Foreign Tax Credit Relief is made, it will be necessary to identify the amount of UK tax attributable to income from each particular property.

Where, therefore, Foreign Tax Credit Relief is claimed, separate computations of profits and losses for each property will be required.

For the purposes of calculating Foreign Tax Credit Relief, deduct losses in the order most favourable to your claim. Normally, this will mean that losses are allocated first against the source that has suffered the lowest rate of foreign tax. For example:

	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:

	Profit (loss)	Rate of foreign tax	Tax deducted
Country A	£5,000	10%	£500
Country B	£(2,000)		
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 at 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 at 20% = £600

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

Country C

£2,000 at 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 assistance in calculating the relief due, ask us or your tax advisor.

If the trust is liable at the trust rate (45%), rework the example to make sure that you claim the losses in the most favourable way. If box 4.33 is a profit, take off any losses brought forward in box 4.34 and enter the result in box 4.35. Copy box 4.35 to column B on page TF 2.

- Foreign tax paid on the rental income

box 4.36 Add up the foreign tax deducted and enter the total in box 4.36.

box 4.37 After allocating any losses in the most favourable way, add up the amounts chargeable and enter the total in box 4.37.

box 4.37A The trust or estate can claim to have the loss from its rental business set off against its total income if the loss arises from certain capital allowances claims. Relief is limited to the lowest of the following 3 figures:

- the amount of any capital allowances in box 4.23 after deduction of any balancing charge in box 4.21
- the amount of the loss in box 4.27
- the amount of the other income

If the capital allowances do not exceed the balancing charge no sideways relief is available.

box 4.37B Accumulation or discretionary trusts enter residential finance costs total from the column above in box 4.37B. This amount will be used to calculate a reduction in your Income Tax.

For estates of deceased persons and interest in possession trusts, do not put the finance costs in box 4.37B. Instead, the finance costs are used by the beneficiaries as a basis for calculating their basic rate reductions. You'll need to tell the beneficiaries the figures for the profits of each property business and the finance costs that relate to each business.

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 4.38 If the overall result is a loss, enter the loss in box 4.38. Keep a note of the amount because you'll need it for next year's tax return.

- Filling in the columns on page TF 2

column A Enter 'see page TF 5'.

column B Enter the overall amount of profit for the year from box 4.35.

column C Enter the amount of any foreign tax paid for income subject to UK tax from box 4.36.

column D Enter any UK tax deducted.

column E If you are not claiming Foreign Tax Credit Relief, enter the amount in column B minus any foreign tax entered in column C. If you're claiming Foreign Tax Credit Relief, copy box 4.37 to column E. Tick the box in column E to claim Foreign Tax Credit Relief.

Part B – calculating Foreign Tax Credit Relief

Relief against Income Tax

If the trust or estate has paid foreign tax on an item of income that is also chargeable to UK tax and you have not deducted the foreign tax in arriving at the amount of income chargeable to UK tax (see page TFN2 of these notes), you can claim Foreign Tax Credit Relief for all or part of the foreign tax up to the amount of the UK tax chargeable on the same item of income.

Relief must therefore strictly be calculated separately for each item of overseas income. This may mean that you are not always able to get relief for the full amount of foreign tax paid.

Method

To make sure that the amount of credit relief allowed for foreign tax on any particular item of income does not exceed the UK tax chargeable on that income, it's first necessary to work out the UK tax chargeable on that item. This figure is then compared with the foreign tax eligible for credit relief.

If the foreign tax eligible for credit is less than the amount of UK tax chargeable on the particular item of income, the whole of the foreign tax is allowed as Foreign Tax Credit Relief.

But if the foreign tax eligible for credit exceeds the amount of UK tax chargeable on the same item of income, credit relief is limited to the amount of UK tax. Then after it's reduced by any UK tax credits due on that income, the excess foreign tax cannot be repaid or deducted in arriving at the amount of income chargeable to UK tax.

In order to maximise the amount of Foreign Tax Credit Relief in cases where the trust or estate has more than one item of foreign income (including, for example, dividends from more than one foreign company), it's necessary to work out separately the UK tax chargeable on each item in turn, beginning with the item which has suffered the highest rate of foreign tax. Repeat the calculation for the item with the next highest rate of foreign tax imposed, and so on, for each successive item. As each item is dealt with, it's excluded from the next calculation, so that eventually the item which has been subjected to the lowest rate of foreign tax is reached.

Put the total amount of Foreign Tax Credit Relief due in box 4.9 in the 'Trust and Estate Foreign' pages, and then copy to box T7.12 in the Trust and Estate Tax Calculation Guide.

Example 4

A discretionary trust's income comprises overseas interest of £3,000 from which foreign tax of £450 has been withheld – all of which is 'admissible' for credit against UK tax and rental income from a foreign property of £10,000 on which foreign tax at a rate of 60% (£6,000) has been paid. No deductions are due and the whole of the income is liable to UK tax at 45%.

The property income has been subjected to foreign tax at 60% and so Foreign Tax Credit Relief is restricted as follows:

		UK tax at 45%	Tax credit relief
Interest	£3,000	£1,350	£450
Property	£10,000	£4,500	(Max) £4,500
		£5,850	£4,950

The balance of the foreign tax paid on the property income (£6,000 minus £4,500 = £1,500) is not available to credit against the UK tax on the interest income, nor can it be repaid or carried forward or back.

Personal representatives of a deceased person's estate and trusts not liable to pay tax at the trust rate

There's no benefit to claiming Foreign Tax Credit Relief (FTCR) on foreign life insurance policies, life annuities and capital redemption policies – on which tax is treated as paid (boxes 4.7 and 4.8). The UK tax due on this income is treated as paid and FTCR cannot reduce it any further.

Trusts which are liable to pay tax at the trust rate

If you're a trustee and have ticked box 8.16 in question 8 on page 3 of the Trust and Estate Tax Return, you pay Income Tax at the special trust rates (the trust rate of 45% or the dividend trust rate of 39.35%).

If the entry in box T3.28 in the Trust and Estate Tax Calculation Guide (or T3.29 for dividends) is more than the foreign tax paid and no more than 20% foreign tax has been deducted, then the whole of the foreign tax paid will be allowable as credit.

If the above conditions are met, there's no need to calculate the Foreign Tax Credit Relief. Enter the foreign tax paid in box 4.9 on the 'Trust and Estate Foreign' pages.

Calculating Foreign Tax Credit Relief (FTCR)

You only need to calculate FTCR if you self-calculate the tax liability for the trust or estate.

You can use the SA951, 'Trust and Estate Tax Calculation Guide' to calculate FTCR. You'll need one more copy of the SA951 than the number of items of foreign income for which you're claiming FTCR. You can get a copy of the SA951, go to www.gov.uk and search for SA951.

Start by completing the SA951 with, for example, all your income up to box T7.10 (this will be the master copy for calculating your final liability to tax).

Complete a second SA951 but this time enter all your income except the item of foreign income for which you're claiming FTCR. Complete this SA951 up to box T7.10.

Compare the figures of T7.1 minus T7.10 from both SA951. The difference between these figures is UK liability on the item of foreign income.

The figure on the second SA951 will usually be lower than the first, treat the difference as a positive amount (if every figure on the second SA951 is higher than the first, treat the difference as zero).

The amount of FTCR on the item is the smaller of the UK liability on the item or the foreign tax paid.

If a claim is made for FTCR on a second item of foreign income complete a third SA951. Enter the figures of income from the second SA951 minus the item foreign income on this third SA951.

Complete the third SA951 up to box T7.10.

Compare the figures of T7.1 minus T7.10 from the second and third SA951.

The difference between these figures is UK liability on the second item of foreign income.

The amount of FTCR on the item is the smaller of the UK liability on the item or the foreign tax paid.

When FTCR has been calculated on all items add together the FTCR on each item and put the total in box 4.9 on the 'Trust and Estates Foreign' pages and continue completing the first (master) SA951 from box T7.11, including the figure from box 4.9. This will give your tax liability for the year.

You can also ask us or your tax adviser to do the calculation for you.

Example 5

A discretionary trust income comprises £10,000 interest received. The SA951 is completed to box T7.10 with all the trust's income. The figure for T7.1 minus T7.10 is £4,250.

A claim for FTCR is made on £1,000 foreign interest. A second SA951 is completed to box T7.10 with the remaining £9,000 interest.

The figure for T7.1 minus (T7.10 + T7.10) is £3,800.

The UK liability on the item of foreign income is (£4,250 minus £3,800) £450.

If £500 foreign tax had been paid on the £1,000 foreign interest then the FTCR due will be £450 (the smaller of the foreign tax paid or the UK liability on that item of income).

A further claim for FTCR is made on £500 foreign interest. A third SA951 is completed to box T7.10 with the remaining (£9,000 minus £500) £8,500 interest. The figure for T7.1 minus T7.10 is £3,575.

This is compared with the equivalent figure from the second SA951. The UK liability on the item of foreign income is (£3,800 minus £3,575) £225.

If the foreign tax paid on this item is £150, the FTCR due is £150 (as the foreign tax paid is less than the UK liability on the income). The total FTCR due on the 2 items is (£450 + £150) £600. This is copied to box 4.9 on the 'Trust and Estates Foreign' pages and T7.11 on the first SA951.

The £4,250 at T7.1 on the first SA951 will be reduced by the £600 FTCR entered in T7.11.