**Accountancy Co-operative**

*the Approachable & Friendly accountancy service*

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# Record keeping for landlords

If you let out residential property you will have to keep records of rent received and your expenses to work out the profit you'll pay tax on. You work out your taxable profit by taking your expenses and certain allowances away from your rental income.

## What financial records do you need to keep?

You'll need to keep the same sorts of records whatever type of property letting business you have - residential or holiday letting, in the UK or overseas. They should include details of your:

- rental income
- allowable expenses
- 'capital' costs

To back up your records keep rent books, receipts, invoices and bank statements.

### Rental income

You'll need to keep a note of:

- the rent you charge and receive
- any services charged separately - for example meals, laundry service, etc
- the dates you rent out each property



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# Allowable expenses

Your records should include details of all your costs of letting or managing your property. Allowable expenses reduce your taxable profit. They include all or part of these costs:

- letting agent's, accountant's and legal fees
- buildings and contents insurance - only part if you just let part of the property
- property loan interest
- maintenance and repairs - not improvements
- utility bills, like gas, water, electricity
- rent, ground rent and service charges
- Council Tax
- advertising
- other direct costs of letting the property, like phone calls

Make sure that you can separate your business from your personal expenses.

### 'Capital' costs

You can reduce your taxable profit by claiming different types of allowances for the cost of furniture and equipment you provide with the property.
You may also be able to deduct certain 'capital' allowances for the cost of equipment relating more generally to your lettings business.
You'll need to log how much all of these things cost and when you bought them.
To back up your records keep rent books, receipts, invoices and bank statements. Also make sure that you can separate your business from your personal expenses.

## If you complete a Self Assessment form

If your total income from UK property is under £15,000 a year before expenses, you can group the expenses as a single total on your tax return. (You may also be able to complete the short tax return.) If it's £15,000 or more, you'll need to show them separately and complete the full return.
Your Tax Office can ask to see your records at any time. So hold onto the detailed information even if your income's less than £15,000.

## If you don't complete a Self Assessment form

If you're employed and your taxable income from property is less than £2,500, your Pay As You Earn (PAYE) tax code can be adjusted to collect the tax on your property income. Your Tax Office will send you form P810 to report your income each year.
However, you'll still need to keep records, to enable you to fill in form P810. Your Tax Office can also ask to see your records to check your figures.
If your income from rent is £2,500 or more you'll need to complete a tax return.

## How long do you need to keep the records?

You'll need to keep your records for six years after the tax year to which they apply - whether you complete a tax return or not.

## If you get rent under the Rent a Room scheme

If you use the Rent a Room scheme you don't have to keep a record of your expenses - you can't claim these under the scheme. But if your rent goes over the limit (£4,250) you can opt to pay tax on all of the rent after taking off your expenses instead. So it may be worth keeping a record of your income and expenses anyway. You can read more about opting in or out of the scheme in our main article.

- More about the Rent a Room scheme, read our help sheet Landlord and Tenant Obligations 2007 on our web site.

## Records relating to the purchase or sale of a let property

If you sell or dispose of a property that's not your main home and its value has increased since you acquired it, you may have to pay Capital Gains Tax (CGT). Some of your property costs can be deducted when working out your gain, so you'll need a record of:

- when you bought or acquired it
- when you sold or disposed of it
- the purchase and sale price
- any buying and selling costs, like Stamp Duty and legal fees
- improvement costs and dates

You may qualify for other reliefs or allowances depending on how long you've owned the property and if it was ever your main home.

If you have a single lodger, this will not affect your entitlement to relief when you sell your main home but they must live as part of your family. If you have more than one lodger, you will be treated as letting part of your home and might have to pay some CGT.

If the property was used for a UK furnished holiday letting business there are special CGT reliefs.