

# Tax on overseas property lettings

If you live and pay tax in the UK you must declare rental income from overseas property lettings on the foreign pages of your tax return. If you pay foreign tax on the income, you can usually get credit for this against the UK tax you have to pay on it.

## Declaring income from overseas property lettings

You have to declare any income you get from overseas property lettings on the supplementary foreign pages of the Self Assessment tax return.

How much tax you'll pay depends on whether you're 'resident' in the UK and 'ordinarily resident' or 'domiciled':

This can be a complicated area and if the brief outline below does not apply to you then you should consult the more detailed HMRC guidance here:

[More information on being a resident or ordinarily resident in the UK](#)

### Resident

- if you are in the UK for 183 days or more in a tax year, you are resident for that year for tax purposes
- if you come to the UK to live here for two years or more you are resident from the date of arrival
- you are also likely to be UK resident if you come to the UK regularly each year and are in the UK for an average of 91 days or more in a tax year – usually worked out over a maximum of four consecutive tax years
- otherwise, you should consult the guidance linked to above to help you decide if you are resident in the UK

### Ordinarily resident

- if you're resident in the UK year after year you will normally be ordinarily resident
- you're ordinarily resident in the UK from the date you arrive if it's clear that you intend to stay for at least three years
- otherwise, you should consult the guidance linked to above to help you decide if you are ordinarily resident in the UK

### Domiciled

- Domicile is a general law concept; it refers to the country which is your 'permanent home'. There are a range of factors that can affect where you are domiciled at any point in your life.
- Your domicile status is usually acquired from your father, although you can change it

when you become an adult. So if both you and your father were born in the UK, have lived in the UK for all or most of your lives, and do not have strong connections outside the UK then you will be domiciled within the UK.

- Your domicile is only usually relevant if you have income or gains from outside the UK.
- Otherwise you should consult the guidance linked to above.

### **If you are resident, ordinarily resident and domiciled in the UK**

You will have to pay tax on the income from the letting whether or not that income is brought into the UK. This is known as the 'arising basis' of assessment.

#### **Working out your taxable profit**

As with income from a UK rental business, you normally work out the 'net profit' (or loss) for all your overseas property lettings as if it's a single business. To do this, you:

- add together all your rental income
- add together all your allowable expenses
- take the expenses away from the income

To arrive at your taxable profit, you can deduct certain allowances from your net profit. Your final profit counts as part of your overall taxable income, and you pay tax on it at your normal rates.

#### **Expenses and allowances - what counts?**

You can deduct the same expenses and allowances from overseas property letting income as from UK property letting income, including travel costs. (The expenses must be solely for running your property letting business.)

[Expenses and allowances on income from property](#)

#### **Profits and losses from different overseas properties**

Because all overseas property lettings are treated as a single business, losses from one overseas property are automatically offset against profits from the others. And if you make a loss overall, you can offset it against future years' overseas rental profits. But UK and overseas letting businesses are taxed separately - losses from one can't be offset against the profits from the other.

### **If you are resident, but either not ordinarily resident or not domiciled in the UK**

In this case you can claim to be taxed only on the income received in the UK in the year. This is known as the 'remittance basis'.

[More information on the remittance basis](#)

### **What happens if you've already paid tax on the income abroad?**

If you've already paid tax on your rental income abroad you can usually claim credit against the UK tax you'll have to pay on it.

Or you can deduct the foreign tax from your overseas rental income when you work out the profit you'll pay UK tax on.

## **Recording information on your tax return**

If you're claiming foreign tax credit relief, you'll need to show separately:

- the profit and loss for each property
- the amount of foreign tax paid on each

If you're not claiming relief for foreign tax, add together all your income and expenses for your overseas property letting and show the profit or loss as a single figure.

[Claiming foreign tax credit relief on capital gains - HMRC helponotes](#)  
[Claiming foreign tax credit relief - page FN3 foreign pages helponotes](#)  
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## **What you do about exchange rates**

When you work out your taxable income, you have to convert it into pounds sterling. You use the exchange rate that applied when the rent was due (or when you brought it into the UK if you're not living in the UK permanently).

[Check foreign exchange rates](#)

## **Tax if you dispose of your overseas property**

If you dispose of (eg sell or give away) your property you may have to pay foreign tax. You may also have to pay UK Capital Gains Tax (CGT). Where CGT is due you can usually get credit for foreign tax you've paid on the same gain.

### **If you are resident and/or ordinarily resident and domiciled in the UK**

You'll be liable to CGT whether or not you bring the gains into the UK.

### **If you are resident and/or ordinarily resident but not domiciled in the UK**

You may only be liable on gains you receive in the UK (whether the gains were made in the current year or an earlier year).

[Capital Gains Tax](#)  
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