Inland Revenue

Notes on PARTNERSHIP LAND AND PROPERTY

CONTENTS

HELP SHEETS AND LEAFLETS

Help Sheets and leaflets giving more detailed information about particular tax rules for land and property are available from the Orderline.

- *IR150: Taxation of Rents. A guide to property income*
- *IR250: Capital allowances and balancing charges in a rental business*
- *IR251: Agricultural land and 'land managed as one estate'.*

Filling in the Partnership Land and Property Pages

The Partnership Land and Property Pages apply both to rental businesses with numerous properties, and to partnerships with one property to rent.

Complete these Pages if the partnership has:

- rental income and other receipts from land and property in the UK
- chargeable premiums arising from leases of land in the UK
- holiday lettings in the UK.

Do not include income from land or property overseas. Use the Partnership Foreign Pages. Ask the Orderline for a copy.

There are certain receipts that arise out of the use of land that should not be included in these Pages. If the partnership runs the following type of business you must fill in the Partnership Trading Pages:

- canals, inland navigations and docks
- mines and quarries, including sand pits, gravel pits and brickfields
- rights of markets and fairs, tolls, bridges and ferries.

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

Gather together:

- records of rent received
- records of expenses.

If the partnership owns property which is let as a furnished holiday letting follow the guidance on page PLN2.

If the partnership lets property other than furnished holiday lettings you should follow the guidance on page PLN4 about other taxable income from land and property in the UK.

Everyone who fills in the Partnership Land and Property Pages should read the general guidance below. If you are in any doubt about whether income from land and property is taxable, or whether you can claim relief for expenses, ask the Orderline for leaflet *IR150: Taxation of Rents. A guide to property income.*

■ *Return period*

boxes 1.1 and 1.2

For all partnerships (except investment partnerships) the Partnership Land and Property Pages should be completed for the profits of the rental business in **the accounting period ended in the period 6 April 1998 to 5 April 1999.**

Return period for investment partnerships

Where, exceptionally, a partnership does not carry on a trade or profession the Partnership Land and Property Pages should, in all cases, be completed for the profits of the rental business in the period 6 April 1998 to 5 April 1999.

If accounts are made up for any other period you should apportion figures in the sets of accounts that between them cover the period 6 April 1998 to 5 April 1999 (if apportionment gives a reasonable approximation of the actual figures for that period), or provide the actual figures themselves.

Enter '6.4.98' in box 1.1 and '5.4.99' in box 1.2.

More than one accounting period

Where a Tax Return is required for the accounting period ended in the period 6 April 1998 to 5 April 1999 and there is more than one such accounting period, you may have to complete more than one set of Partnership Land and Property Pages. (Read the notes on page 6 of the Partnership Tax Return Guide.)

Providing details of income and expenditure

Accounts are prepared for a variety of reasons and in a variety of ways. It may not be immediately obvious where you should enter some of your figures. The notes which follow are designed to give guidance in the most difficult areas but they are not intended to be hard and fast rules.

In some instances you may need to combine or apportion your figures to fit the Partnership Tax Return. If you include an expense under one heading where another may be equally appropriate, you should be consistent from one year to the next.

Make sure that you transfer **all** the entries in your accounts and that you include them **once** only.

If the partnership does not have accounts, you should fill in the Pages bearing in mind that the taxable profit should be worked out using generally accepted accountancy principles. If you need help, ask your Tax Office or tax adviser.

continued over

Furnished holiday lettings in the UK

Properties that are let as 'furnished holiday lettings' are treated differently from other properties for tax purposes.

If the partnership has furnished holiday lettings start by filling in the first of the Partnership Land and Property Pages. Then fill in the second Page. Details of **other rental and business income and expenses** go on the second Page (see the notes on page PLN4).

What is a furnished holiday letting?

A letting is normally regarded as a furnished holiday letting if it is a UK property that is:

- furnished, **and**
- available for holiday letting to the public on a commercial basis for 140 days or more during the year, **and**
- actually let commercially as holiday accommodation for 70 days or more during the year, **and**
- not occupied continuously for more than 31 days by the same person for at least seven months of the year.

The year to consider is:

- the Return period for the partnership (see the notes on page PLN1), **or**
- if the partnership first started letting in that year, the twelve months from the date of the first letting, **or**
- if the partnership finished letting in that year, the twelve months up to the date of the last letting.

If the partnership had more than one unit of accommodation let for holiday purposes, the 70 day rule can be satisfied even if the units were not each let for 70 days, just as long as all of them satisfy the 140 day and 7 month rules. Ask your Tax Office or tax adviser for further details.

• Income from furnished holiday lettings

box 1.3 Enter in box 1.3 the gross amount of income arising from properties that qualify as holiday lettings in the UK. This includes all the rents that relate to the year ended 5 April 1998 and any monies obtained from the provision of any services to tenants.

Expenses

If the partnership's income from furnished holiday lettings 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 1.9.

The following guidelines give an indication of the main types of expenses likely to arise from holiday lettings and what usually cannot or can be claimed as a deduction.

Non-allowable expenses:

- a partner's personal expenses (see the notes about box 1.12 on page PLN3)
- capital costs, such as expenses relating to the purchase of the land or property it intends to let, or the cost of purchasing machinery, furnishings or furniture
- any loss made on the sale of a property.

Allowable expenses:

- in general any costs incurred for the sole purpose of earning business profits
- you may be able to claim capital allowances or a renewals deduction on the cost of buying a capital asset.

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

If you include any expenses in boxes 1.4 to 1.9, make sure that you do not include them again in boxes 1.23 to 1.28 on Page PL2.

• Rent, rates, insurance, ground rents, etc.

box 1.4 Any rent paid under a lease of a property let to someone else as a furnished holiday letting can be deducted in working out business profits.

Other expenses connected with the property such as business rates, Council Tax, water rates, ground rents or feu duties are also allowable. Enter in box 1.4 the total of these expenses incurred in the period in respect of all properties in the business.

Include in box 1.4 any expenses the partnership must incur as landlord to insure the furnished holiday letting and its contents.

Insurance against loss of rents is also an allowable cost but you must include in box 1.3 any income you receive as a result of taking out such an insurance. Insurances that extend beyond the lettings business, such as personal policies or those insuring the partner's private belongings, are not allowable costs.

• Repairs, maintenance and renewals

box 1.5

Repairs and maintenance

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

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

- the alterations, etc., are so extensive as to amount to the reconstruction of the property, **or**
- there has been change in the use of the property that made the maintenance or repairs unnecessary.

If you are in doubt whether any work undertaken on the property constitutes a repair or maintenance, ask your Tax Office or tax adviser.

Renewals

You can claim as an expense the cost of replacing furniture, furnishings and machinery supplied with the partnership's property where capital allowances are not claimed. You can include the renewal of small items such as knives and forks. If you opt for a renewals deduction you may deduct the cost of replacing any such equipment, but not the cost of the original purchase. Deduct from the replacement cost any sum received for the item you have scrapped or sold. Also deduct any part of the replacement cost that represents an improvement or addition to the original item.

Enter in box 1.5 the total of any such expenses on renewals (and repairs and maintenance) incurred in the period for all the properties in your business. If you are in doubt about what sum to claim as a renewal, ask your Tax Office or tax adviser.

- Finance charges, including interest

box 1.6 Include in box 1.6 expenses that relate to the financial side of the rental business. Costs incurred in obtaining a loan to buy a property that is let are allowable as a deduction. So is any interest incurred on the loan. If you are unsure whether any financial cost is allowable as a deduction, ask your Tax Office or tax adviser.

- Legal and professional costs

box 1.7 Below are some examples of expenses you cannot deduct and those you may.

Non-allowable expenses:

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

Allowable expenses:

- expenses for the let of a **year or less**
- management fees relating to the on-going costs of letting (for example, rent collection, etc.)
- the normal legal and professional fees incurred on the renewal of a lease, if the lease is for less than 50 years
- professional fees incurred evicting an unsatisfactory tenant, with a view to re-letting, or those on an appeal against a compulsory purchase order
- professional fees in drawing up accounts.

If you are unsure whether any legal or professional fee is allowable as a deduction, ask your Tax Office or tax adviser.

- Costs of services provided, including wages

box 1.8 If, in addition to letting a property, the partnership provides any service to the tenant (such as gardening, porterage, cleaning or even something like communal hot water), that requires a degree of maintenance and thus expense, you can claim the cost of these services to the extent that they are provided wholly and exclusively for the purposes of the letting.

You should include in box 1.8 the total of any expenses for all properties and their associated services. If the partnership receives any income for any service it provides, this should be included in box 1.3.

- Other expenses

box 1.9 Enter in box 1.9 all expenses incurred wholly and exclusively for the purpose of the rental business that are not already included in boxes 1.4 to 1.8. Examples include the costs of rent collection, advertising for tenants, travelling solely for business purposes, stationery, telephone calls and other miscellaneous expenses.

Remember though that partners' personal expenses are **not** allowable. If the partnership spends money on something only partly used for the property, you must only enter the amount expended for business purposes in box 1.9. Alternatively, enter the whole amount and deduct in box 1.12 the proportion of the cost that represents personal use.

Lease premium relief

Where the partnership (or an earlier tenant) paid a premium to the landlord when the lease was granted, and the partnership is sub-letting the property in the property business, you may be able to claim a deduction for part of the premium paid. The relief for premiums paid is only due on amounts taxable on the landlord as income (or would be if the landlord were liable to tax). If you think you are entitled to a deduction for a premium paid, ask your Tax Office or tax adviser. The amount of the allowable deduction should be entered in box 1.9. The notes for box 1.21 beginning on page PLN4 explain how to calculate the part of the premium taxable on the landlord as income.

Tax adjustments

To arrive at the partnership's income (or the allowable loss) for tax purposes you need to make certain adjustments to the net profit or loss arising in the year.

- Private use

box 1.12 Private and personal expenses are not allowable. If the partnership spends money on something used only partly for its rental business and partly for a non-business reason you must either:

- enter the amount expended for business purposes in boxes 1.4 to 1.9, **or**
- enter the whole expenses in those boxes and in box 1.12 deduct the proportion of the cost that represents the personal use or the non-business element.

For example, if the partnership lets a property for only eight months in a year and it is used by the partners in the other four months, you can put the full annual cost of insuring the property in box 1.4. If you do, you should add back one-third of that cost in box 1.12.

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

- Capital allowances and balancing charges

boxes 1.13 and 1.15 In working out the profit from furnished holiday lettings you must not deduct:

- the cost of buying, altering, building, installing or improving fixed assets, **or**
- depreciation or any losses that arise when you sell them.

Instead, the partnership may be able to claim **capital allowances** in box 1.15. These **reduce** a profit or **increase** a loss. An adjustment, known as a **balancing charge**, may arise when the partnership sells an item, gives it away or stops using it in the business. Enter the amount of balancing charges in box 1.13. These **increase** profits or **reduce** a loss.

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

If you do not have a tax adviser, or want to check your calculation, ask the Orderline for *Help Sheet IR250: Capital allowances and balancing charges in a rental business.*

continued over

Transferring information to the Partnership Statement

Any profit from furnished holiday lettings must be identified separately so that the partners can add their share of this profit to any other net relevant earnings for the purpose of calculating their personal pension/retirement annuity relief.

Transfer the amount of the profit to box 19A in the Partnership Statement. If you want to allocate this figure between the partners at the same time, read pages 13 to 15 of the Partnership Tax Return Guide. Otherwise finish filling in the rest of the Partnership Land and Property Pages.

Any loss from furnished holiday lettings must be identified separately in the Partnership Statement so that shares in the loss can be allocated to the partners. This is because a partner can claim relief for any share of the loss against other income or gains in this or earlier years.

Transfer the amount of the loss from furnished holiday lettings to box 20 in the Partnership Statement. If you want to allocate this figure between the partners at the same time, read pages 13 to 15 of the Partnership Tax Return Guide. Otherwise finish filling in the rest of the Partnership Land and Property Pages.

Other property income

If the partnership owns land or property in the UK and enters into any transaction which produces rents or other receipts from the land or property, it is treated as operating a rental business.

The concept of a rental business is broad. The rental profit or loss takes account of all rental and similar income, and related expenses, resulting from the exploitation of land or property in the UK. All activities by which the partnership derives income from land and property in the same capacity are treated as activities of the one business. It does not matter whether the partnership has a single property or numerous properties. All form a single business.

If the partnership receives income from wayleaves and also receives rents from some or all of the land to which the wayleaves relate, include the wayleaves in box 1.19. If the partnership is carrying on a trade or profession, include the wayleaves as part of the trading or professional income of the partnership at box 3.37 ('Partnership trading and professional income'). Otherwise, include the wayleaves as 'Other partnership income' at box 7.44.

The guidance below tells you what income and what expenses should be included in the profits or losses of the rental business.

Income

Furnished holiday lettings profits

box 1.18 To fill in this box you will need to have filled in boxes 1.3 to 1.17 first. Follow the guidance on holiday lettings on page PLN2.

Rents and other income from land and property

box 1.19 Enter in box 1.19 the total of **all** income arising to the partnership business from **any** land and property you have in the UK, except income arising from holiday lettings and chargeable premiums (see notes on box 1.21).

Income includes receipts in cash or in kind. It is taxed when it is earned, even if the partnership does not receive the money or goods until later. **Include** in box 1.19 any rent the partnership receives (or will receive) after 5 April 1999 which is payment for the year ended 5 April 1999 (because it is paid in arrears). **Exclude** any rent received which relates to any period after 5 April 1999 (because it is paid in advance). It must be included in the income for the year to which it relates**. Make sure you do not count money you received in this year if it was included in an earlier year.**

Generally, most income will be rental income from a tenancy, leasing, or licensing agreements over the land or property. Rental income from furnished, unfurnished, commercial and domestic accommodation, and from any land, should all be included 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 of the business. All this income should be added together and entered in box 1.19.

Receipts other than rent

Receipts other than rents are also taxable. Some of the main categories are:

- rent charges, ground rents and feu duties
- the annual value of properties not let at a commercial rent where a one-estate choice is in force - see the notes about box 1.38 on page PLN7
- income arising from the grant of sporting rights
- income arising from letting others tip waste on the land
- income from letting someone use the land when no lease or licence is created; for example, receipts from a film crew who pay to film on the land
- grants received from local authorities towards the cost of repairs of a property - see box 1.24 on page PLN5 for guidance on claiming relief for expenses on repairs
- include any income from land and property from any Enterprise Zone Trusts (include **interest** from Enterprise Zone Trusts in the Partnership Savings Pages).

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

Tax deducted

box 1.20 Certain income from property is received after tax has been deducted and accounted to the Inland Revenue. The main type of income from which tax may be deducted is rental income received by a landlord whose usual place of abode is outside the UK.

If the income in box 1.19 includes payments to the partnership from which tax has been deducted, you should enter in box 1.20 the amount of tax deducted.

You should ensure that the amount of income entered in box 1.19 includes any tax deducted. In other words it should be the total amount received plus **the tax that has been deducted. It should not be just the amount received after the tax has been deducted.**

Transferring information to the Partnership Statement

Transfer the amount of tax deducted entered in box 1.20 to box 25 in the Partnership Statement. If you want to allocate this figure between the partners at the same time, read pages 13 to 15 of the Partnership Tax Return Guide. Otherwise finish filling in the rest of the Partnership Land and Property Pages.

Chargeable premiums

box 1.21 The income of the rental business may include 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. These premiums are taxable on a special basis.

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

Use the Working Sheet below to arrive at the taxable amount.

Working Sheet for chargeable premiums – leases up to 50 years

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

Copy figure in box E to box 1.21.

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

Expenses

If the 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 1.28.

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

Non-allowable expenses:

- a partner's personal expenses (see the notes about box 1.31 on page PLN6)
- capital costs, such as expenses relating to the purchase of the land or property it intends to let, or the cost of purchasing machinery, furnishings or furniture
- any loss made on the sale of a property.

Allowable expenses:

- in general any costs incurred for the sole purpose of earning business profits
- you may be able to claim capital allowances or a renewals deduction on the cost of buying a capital asset, or a wear and tear allowance for furnished lettings.

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.

Make sure you do not **enter in boxes 1.23 to 1.28 any expenses you have already included in the entries for boxes 1.4 to 1.9.**

- Rent, rates, insurance, ground rents, etc.

box 1.23 Any rent paid under a lease of a property that is let to someone else can be deducted in working out the partnership's profits.

Other expenses connected with the property such as business rates, Council Tax, water rates, ground rents or feu duties are also allowable. Enter in box 1.23 the total of any such expenses incurred in the period in respect of all properties comprised in the business.

Include in box 1.23 any expenses the partnership must incur as landlord to insure any let property and its contents. Insurance against loss of rents is also an allowable cost but you must include in box 1.19 any income received as a result of taking out such an insurance. Insurances that extend beyond the partnership's rental business, such as partners' personal policies or those insuring private belongings, are not allowable costs.

- Repairs, maintenance and renewals

box 1.24

Repairs and maintenance

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

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

- the alterations, etc., are so extensive as to amount to the reconstruction of the property, **or**
- there has been a change in the use of the property that made the maintenance or repairs unnecessary.

If you are in any doubt whether any work undertaken on the property constitutes a repair or maintenance, ask your Tax Office or tax adviser.

Renewals

If the partnership has not claimed capital allowances or 'wear and tear' allowances (see page PLN7) for the cost of replacing furniture, furnishings or machinery supplied with the property, it can be claimed as an expense. It includes the renewal of small items such as knives and forks. If the partnership opts for a renewals deduction, you may deduct the cost of replacing any such equipment, but not the cost of the original purchase. Deduct from the replacement cost any sum received for the item scrapped or sold. Also deduct any part of the replacement cost that represents an improvement or addition to the original item.

Enter in box 1.24 the total of any such expenses on renewals (and repairs and maintenance) incurred in the period for all the properties in the business. If you are in doubt about what sum to claim as a renewal, ask your Tax Office or tax adviser.

- Finance charges, including interest

box 1.25 Include in box 1.25 expenses that relate to the financial side of the rental business. Costs incurred in obtaining a loan to buy a property that is let are allowable as a deduction. So is any interest incurred on the loan. If you are unsure whether any financial cost is allowable as a deduction, ask your Tax Office or tax adviser.

continued over

• Legal and professional costs

box 1.26 Below are some examples of expenses the partnership cannot deduct and those it may.

Non-allowable expenses:

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

Allowable expenses:

- expenses for the let of a **year or less**
- management fees relating to the on-going costs of letting (for example, rent collection, etc.)
- the normal legal and professional fees incurred on the renewal of a lease, if the lease is for less than 50 years
- professional fees incurred evicting an unsatisfactory tenant, with a view to re-letting, or those on an appeal against a compulsory purchase order
- professional fees in drawing up accounts.

If you are unsure whether any legal or professional fee is allowable as a deduction, ask your Tax Office or tax adviser.

• Costs of services provided, including wages

box 1.27 If, in addition to letting a property, the partnership provides any service to the tenant (such as gardening, porterage, cleaning or even something like communal hot water), that requires a degree of maintenance and thus expense, you can claim the cost of these services to the extent that they are provided wholly and exclusively for the purposes of the letting.

You should include in box 1.27 the total of any expenses for all properties and their associated services. If the partnership receives any income for any service provided, this should be included in box 1.19.

• Other expenses

box 1.28 Enter in box 1.28 all expenses incurred wholly and exclusively for the purpose of the rental business that are not already included in boxes 1.23 to 1.27. Examples include the costs of rent collection, advertising for tenants, travelling solely for business purposes, stationery, telephone calls and other miscellaneous expenses.

Remember though that partners' personal expenses are **not** allowable. If the partnership spends money on something used only partly for the property, you must enter only the amount expended for business purposes in box 1.28. Alternatively, enter the whole amount and in box 1.31 deduct the proportion of the cost that represents personal use.

Lease premium relief

Where the partnership (or an earlier tenant) paid a premium to the landlord when the lease was granted and the partnership is sub-letting the property in the property business, it may be able to claim a deduction for part of the premium paid. The relief for premiums paid is only due on amounts which are chargeable on the landlord as income (or would be if the landlord was taxable). If you think the partnership is entitled to a deduction for a premium paid ask your Tax Office or tax adviser. The amount of the allowable deduction should be entered in box 1.28. The notes for box 1.21 beginning on page PLN4 explain how to calculate the part of the premium which is taxable on the landlord as income.

Tax adjustments

To arrive at the partnership's income (or the allowable loss) for tax purposes you need to make certain adjustments to the net profit or loss arising in the year in box 1.30. The main adjustments are listed below. There are also more unusual situations, which require different computations - see the notes about box 1.38 on page PLN7.

• Private use

box 1.31 Private and personal expenses are not allowable. If the partnership spends money on something used only partly for the rental business and partly for a non-business reason you must either:

- enter the amount expended for business purposes in boxes 1.23 to 1.28, **or**
- enter the whole expenses in those boxes and in box 1.31 deduct the proportion of the cost that represents the personal use or the non-business element.

For example, if the partnership lets a property for only eight months in a year and a partner uses it for the other four months, you can put the full annual cost of insuring the property in box 1.23. If you do, you should add back one-third of that cost in box 1.31.

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

• Capital allowances and balancing charges

boxes 1.32 and 1.34 In working out the rental business profits you must not deduct:

- the cost of buying, altering, building, installing or improving fixed assets, **or**
- depreciation or any losses that arise when you sell them.

Instead, the partnership may be able to claim **capital allowances** in box 1.34. These **reduce** a profit or **increase** a loss. An adjustment, known as a **balancing charge**, may arise when it sells an item, gives it away or stops using it in the business. Enter the amount of balancing charges in box 1.32. These increase the profits or reduce a loss.

Include any capital allowances or balancing charges from any partnership investments in Enterprise Zone Trusts.

However, if the partnership lets a dwelling house as furnished accommodation in the UK (other than as furnished holiday accommodation), capital allowances are not available on any machines, furniture or furnishings supplied. However, see the notes on box 1.35 (10% wear and tear) on page PLN7.

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

If you do not have a tax adviser, or want to check your calculation, ask the Orderline for *Help Sheet IR250: Capital allowances and balancing charges in a rental business*.

- 10% wear and tear

box 1.35 If the partnership lets a dwelling house as furnished accommodation in the UK (other than as furnished holiday accommodation), capital allowances are not available. Instead, it may claim a deduction for either

- the net cost of replacing a particular item of furniture or furnishings, but not the cost of the original purchase (see the notes on page PLN5 about renewals), **or**
- an allowance amounting to 10% of the rent received less charges or services that would normally be borne by a tenant but which are, in fact, borne by the partnership (for example, Council Tax). This allowance, which is known as wear and tear allowance, is accepted as broadly covering the cost of normal renewals of furniture.

Capital allowances can be claimed if the partnership let furnished accommodation other than a dwelling house. If capital allowances can be claimed, you cannot claim the 10% wear and tear allowance.

Transfer of information to the Partnership Statement (Full)

You should transfer any figure in box 1.37 to box 19 in the Partnership Statement. The figure in box 19 should include the figure of furnished holiday letting profit entered in box 19A. Similarly, if you have not already done so, you should transfer any figure in box 1.17 to box 20, and any figure in box 1.20 to box 25.

Remember, you will need to complete more than one Partnership Statement if you have completed more than one set of Partnership Land and Property Pages for this Tax Return.

If you want to allocate these amounts between the partners now, read pages 13 to 15 of the Partnership Tax Return Guide.

- Pooled expenses from 'one estate election'

box 1.38 If the partnership owned an agricultural estate or an estate over which there exists a valid one estate election ask the Orderline for *Help Sheet IR251: Agricultural land and 'land managed as one estate'* to see whether any entry is needed in box 1.38. Not many landowners are affected by the special rules applying to these types of property but if the partnership does own an estate, *Help Sheet IR251* will show you how to include this type of rental business income and expenses. It also explains the special rules about any losses arising.

Any excess expenses in box 1.38 should be carried forward as an estate expense for 1999-2000.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.