

Contacts

Please phone:

- the number printed on page TR 1 of your Return
 - the Helpline on **0845 9000 444**
 - the Orderline on **0845 9000 404** for Help Sheets
- or go to www.hmrc.gov.uk

Complete the *UK property* pages if, in the year to 5 April 2008, you received:

- rental income and other receipts from UK land and property
- income from letting furnished holiday accommodation
- premiums arising from leases of UK land
- an inducement to take an interest in any property for letting (a reverse premium).

But use the *Self-employment* pages for any income from:

- canals, inland navigations and docks
- mines and quarries, including sandpits, gravel pits and brickfields
- rights of markets and fairs, tolls, bridges and ferries
- farming, market gardening or other commercial occupation of land
- hotels and guest houses
- letting furnished accommodation in your home that amounts to a trade, for example, if you run a guest house or offer bed and breakfast, rather than just taking in a lodger
- wayleaves if the land to which the wayleave relates is used in your trade.

Use other pages of your Tax Return for any income from:

- wayleaves if the land to which the wayleave relates is used neither in your trade nor in your rental business (box 15 on page TR 3)
- post-cessation receipts (that is rental income received after the rental business has ceased, which has not previously been taxed) (box 14 on *Additional Information* page Ai 1)
- Real Estate Investment Trust dividends and distributions (box 15 on page TR 3).

If you are not sure whether you should be completing the *UK property* pages or the *Self-employment* pages, please contact us.

If your land or property is abroad, use the *Foreign* pages, and if you receive property income as part of your income from a partnership, use the *Partnership (full)* pages.

Accounts

If you prepare accounts for your property income and they were drawn up to 5 April 2008, transfer the figures to the appropriate boxes on the *UK property* pages. If they were drawn up to any other date, you will have to apportion the figures in the sets of accounts that between them cover the year 6 April 2007 to 5 April 2008.

UK property details

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If you have any income from property let jointly

If you own and let property jointly with one or more other people, include only your share of the income and your share of the expenses. But if you receive notice of your share of the income (or loss) only after expenses, just enter the income in box 5 or box 18, or the loss in box 9 or box 27, as appropriate. Please enter the name and address of the person who prepares the property records in the 'Any other information' box on your Tax Return.

If you and your spouse live together, any income from property held in joint names is usually treated as if it belonged to the two of you in equal shares (even if you own it in unequal shares) so you will each be taxed on half of the income. However, if you are entitled to the income in proportion to your share you may make an election on form 17 to be taxed on the actual basis. Please contact us if you want to make an election.

Civil partners who registered a civil partnership on or after 5 December 2005 are treated the same as married couples.

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If you are claiming Rent a Room relief and your rents are £4,250 or less

If you let a furnished room or rooms in your own home (excluding a room used exclusively as an office) and your total income was less than the Rent a Room exemption, £4,250 (or £2,125 if let jointly), put 'X' in the box. 'Total income' means the rents for the year to 5 April 2008 plus any income from services you provided. If that is your only letting income that is all you have to do on the *UK property* pages.

But, if your total income from this sort of letting was more than £4,250 you can choose between:

- paying tax just on the excess over £4,250 (or £2,125 if let jointly) - without taking off any expenses. If so, include your total income in box 18 and the exempt amount (£4,250, or £2,125 if let jointly) in box 35, or
- calculating your profit from letting in the usual way - that is, total income (included in box 18) minus allowable expenses (boxes 22 to 27), leaving box 35 blank. You may want to do this if, for instance, you have made a loss.

The Rent a Room scheme is described in more detail in Help Sheet 223 *Rent a Room for traders*.

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Furnished holiday lettings

There are special rules for properties that are let as furnished holiday accommodation. These rules allow you to set-off any loss arising from your furnished holiday lettings against all your other taxable income, and not just against other income from property. You have to work out the profit or loss from furnished holiday lettings separately to see if you can take advantage of these special rules.

A furnished holiday letting is a *UK property* that is:

- available for holiday letting on a commercial basis for 140 days or more during the year
- actually let commercially as holiday accommodation for 70 days or more during the year, and
- one where any periods of longer-term occupation do not exceed 155 days in the year.

A period of longer-term occupation is a continuous period of more than 31 days in the same occupation; it is not let as holiday accommodation.

If you have more than one unit of holiday letting accommodation, the 70 day letting condition may be satisfied by averaging the number of days several properties taken together are actually let commercially as holiday accommodation, provided the other two conditions are satisfied for each property.

The year, for deciding if you have furnished holiday letting income, is:

- the tax year, 6 April 2007 to 5 April 2008, or
- if you started letting during the year, the 12 months from the date of the first letting, or
- if you stopped during the year, the 12 months up to and including the date of the last letting.

5 **Income – the amount of rent and any income for services provided to tenants**
Enter the total income from all furnished holiday lettings in the UK – that is, the rents for the year to 5 April 2008 and any income from services you provided.

6 Generally, you can claim any costs incurred in earning your furnished holiday letting business profits. If your total property income in the year, including furnished holiday letting income, before expenses is less than £15,000, you do not have to list expenses separately. Instead, put the total expenses relating to your furnished holiday lettings in box 9. Although you cannot claim any capital costs – such as expenses relating to the purchase of, or improvements, additions and alterations to, land or property or the costs of purchasing machinery, furnishings or furniture – you may be able to claim capital allowances or a renewals deduction (see below and page UKPN 4).

If you include an expense under one heading when another may be equally appropriate try to be consistent from one year to the next.

6 **Rent paid, repairs, insurance and costs of services provided**

Repairs

Include in box 6 expenses that prevent the property from deteriorating such as:

- exterior and interior painting
- damp treatment
- stone cleaning
- roof repairs
- furniture repairs
- repairs to any kind of machinery supplied with the property.

Renewals

If you are not claiming capital allowances, you can claim the costs of replacing furniture, furnishings and machinery supplied with your property. You can also include the costs of renewing small items such as cutlery but, if you do, you cannot claim the original costs. If you received any money for the items being replaced you should take that amount off the replacement costs. Do not claim for any element of improvement compared with the original item.

Property expenses

Include in box 6:

- any rents you pay under a lease of a property that you let as a furnished holiday letting
- business rates
- Council Tax
- water rates
- ground rents or, in Scotland, feu duties
- insurance for both the property and its contents
- costs of services you provide such as gardening, portorage, cleaning, communal hot water, etc.

Insurance against loss of rents is also an allowable cost but if you claim under your insurance policy any money you receive should be included as income in box 5.

You cannot claim a wear and tear allowance in calculating the profits of your holiday lettings business. You may claim either capital allowances or a renewals deduction in respect of your capital costs.



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7 **Loan interest and other financial costs**

Include:

- the costs of obtaining a loan or an alternative finance arrangement to buy a property that you let
- any interest on such a loan or alternative finance payments.

8 **Legal, management and other professional fees**

Management fees paid to an agent could cover rent collection, advertising and administrative expenses.

The normal legal and professional fees for renewing a lease (if the lease is for less than 50 years) can be deducted. You can also deduct the professional fees incurred in evicting an unsatisfactory tenant, with a view to re-letting, or in appealing against a compulsory purchase order.

You cannot deduct:

- expenses incurred in connection with the first letting or subletting of a property for more than a year. These include legal expenses such as the cost of drawing up a lease, agents' and surveyors' fees and commission
- any costs of agreeing and paying a premium on renewal of a lease
- fees for planning permission or registration of title on property purchase.

9 **Other allowable property expenses**

Include in box 9 any other expenses of the holiday rental business not included in boxes 6 to 8, such as stationery, telephone, business travelling and other miscellaneous costs.

Where you are subletting the property and you (or an earlier tenant) paid a premium to your landlord when the lease was granted, you may be able to claim for part of the premium paid if the payment is taxable on your landlord as income. If you are not sure how to work out the amount you can include in box 9, please ask us (or your tax adviser).

10 **Private use adjustment – *if expenses include any amounts for non-business purposes***

Personal expenses are not allowable so if you have included in boxes 6 to 9 any amounts that were not wholly for the business, enter the private (non-business) proportion in box 10. For example, if you let a property for only eight months in a year and you use it yourself for the other four months, you could put the full annual cost of insuring the property in box 6. If you do, you should include the four months' cost in box 10.

If you need any help with working out the business and private use, please contact us.

11 **Balancing charges**

There may be a balancing charge if, during the year, you sell, give away or stop using an item in your business that you claimed capital allowances on.

Help Sheet 250 *Capital allowances and balancing charges in a rental business* explains this.

12 **Capital allowances**

You cannot deduct the cost of buying, altering, building, installing or improving fixed assets such as property or machinery. Nor can you claim depreciation or losses when such assets are disposed of. Instead, you can claim capital allowances, which reduce your profits (or increase a loss). Each year you can claim 25% of the

cost or value of such items. There are 'first year' allowances of 40% or 50% for some new items and you may be entitled to 100% allowance for environmentally friendly expenditure or environmentally beneficial technologies (see the note for box 32).

Help Sheet 250 *Capital allowances and balancing charges in a rental business* explains this.

13 Profit for the year

To work out the profit or loss, follow the instructions on the *UK property* pages or use the Working Sheet below.

Furnished holiday lettings losses

14 Loss for the year

To work out the profit or loss, follow the instructions on the *UK property* pages or use the Working Sheet below.

Loss used against other income and gains

You can use any furnished holiday lettings loss to reduce the amount of tax you pay on other income or gains, including any other income from property. This is because we treat any loss on your furnished holiday lettings as if it were a trade loss.

Help Sheet 227 *Losses* explains the different ways that trade losses can be set against other income - exactly the same rules apply to your furnished holiday lettings losses.

Working Sheet for furnished holiday lettings profit or loss	
Box 5 income	A £ <input type="text"/>
Plus private use adjustment <i>box 10</i>	B £ <input type="text"/>
Balancing charges <i>box 11</i>	C £ <input type="text"/>
Total <i>boxes A to C</i>	D £ <input type="text"/>
Minus	
Expenses <i>box 6</i>	E £ <input type="text"/>
Loan interest, etc. <i>box 7</i>	F £ <input type="text"/>
Legal, management, etc, <i>box 8</i>	G £ <input type="text"/>
Other <i>box 9</i>	H £ <input type="text"/>
Capital allowances <i>box 12</i>	I £ <input type="text"/>
Total <i>boxes E to I</i>	J £ <input type="text"/>
Profit or loss <i>box D minus box J</i>	K £ <input type="text"/>

If you made a profit, copy box K to box 13. If you made a loss, copy box K to box 14.

15 Loss set-off against other income from property

You can set any part of a loss in box 14, that has not been set against other income, against your other income from property.

16 Loss set-off against 2007-08 total income

Enter in box 16 the amount of the loss you want to set against other income of this year. If you wish to set furnished holiday lettings losses against capital gains, enter the amount of the loss in box 14 of the *Capital Gains Summary* page.

17 Loss carried back to earlier years

If you want relief for the loss to be calculated by reference to an earlier year or years, enter in box 17 the amount of the loss to be used in this way. You must claim the whole of the loss in box 14. Only if the loss is not used up by the first claim can you make a further claim. And you can only claim relief once for each pound of loss.

Property income

If you own UK land or property which produces rents or other receipts we treat you as operating a rental business (whether you have one or several properties).

18 Total rents and other income from property

Enter in box 18 the total income from your rental business including any furnished holiday lettings profit from box 13. Income includes receipts in cash or kind. It is taxable when it is earned even if you receive it later (so any 2007-08 rental income paid after 5 April 2008 should be included). Do not include rents for the year to 5 April 2009 that have been paid in advance (during the year to 5 April 2008).

Include rental income from:

- a tenancy
- leasing or licensing agreements over your land or property
- furnished, unfurnished, commercial and domestic accommodation
- any land.

Receipts other than rent are also taxable, for example:

- rent charges, ground rents and, in Scotland, feu duties
- income from the grant of sporting rights
- income from letting others tip waste on your land
- receipts from a film crew who pay to film on your land
- income for the use of a caravan or houseboat at a fixed location
- wayleaves if the land to which the wayleave relates is used in your rental business
- local authority grants towards the cost of repairs
- income from land and property in Enterprise Zone Trusts.

If you let your property furnished, any sums the tenant pays you for the use of furniture should be included here. Exclude premiums for the grant of a lease and reverse premiums (these go in boxes 20 and 21). If tax (to be entered in box 19) has been taken off any of your rental income make sure the figure in box 18 is the amount before tax was deducted.

20 Premiums for the grant of a lease

If your rental business income includes premiums paid for the grant of a lease and other lump sum payments, etc. given in connection with the right to possession of a property, these payments are taxable on a special basis.

Broadly, for leases over 50 years we treat the entire premium as a capital receipt and therefore not part of your business income.

For leases up to 50 years we treat the premium as partly capital and partly income; only the income is included in box 20.

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If you have assigned a lease without requiring payment there may still be a premium charge. Please contact us if you are not sure if this affects you.

Working Sheet for premiums for the grant of a lease

Premium

A £

Number of complete periods of 12 months in the lease, ignoring the first 12 months

B

50 minus box B

C

Box C divided by 50

D

Box A multiplied by box D *Copy box E to box 20*

E £

21 Reverse premiums and inducements

Enter in box 21 any payment (or other benefit) you received as an inducement to take an interest in any property (other than your main home) for letting. (This is a 'reverse premium'.)

If your total property income in the year, including furnished holiday lettings income, before expenses is less than £15,000, you do not have to list expenses separately. Instead, put total expenses (minus any furnished holiday lettings expenses) in box 27.

Generally, you can claim the running costs of your business but you cannot claim as property expenses any capital costs such as expenses relating to the purchase or sale of, or improvements, additions and alterations to, land or property or the costs of purchasing machinery, furnishings or furniture. But you may be able to claim a renewals deduction. See the notes for box 23.

22 Rents, rates, insurance, ground rents, etc.

Include:

- rent you pay under a lease of a property that you let
- business rates
- Council Tax
- water rates
- ground rents or, in Scotland, feu duties
- property and contents insurance.

Insurance against loss of rents is also an allowable cost but if you claim under your insurance policy any money you receive should be included as income in box 18.

23 Property repairs, maintenance and renewals

Repairs

Include in box 23 expenses that prevent the property from deteriorating such as:

- exterior and interior painting
- damp treatment
- stone cleaning
- roof repairs
- furniture repairs
- repairs to any kind of machinery supplied with the property.

Property expenses

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Renewals

If you are not claiming capital allowances or the wear and tear allowance, you can claim the costs of replacing furniture, furnishings and machinery supplied with your property. You can also include the costs of renewing small items such as cutlery but, if you do, you cannot claim the original costs. If you received any money for the items being replaced you should take that amount off the replacement costs. Do not claim for any element of improvement compared with the original item.

24 Loan interest and other financial costs

Include:

- the costs of obtaining a loan or an alternative finance arrangement to buy a property that you let
- any interest on such a loan or alternative finance payments.

25 Legal, management and other professional fees

Management fees paid to an agent could cover rent collection, advertising and administrative expenses.

The normal legal and professional fees for renewing a lease (if the lease is for less than 50 years) can be deducted. You can also deduct the professional fees incurred in evicting an unsatisfactory tenant, with a view to re-letting, or in appealing against a compulsory purchase order.

You cannot deduct:

- expenses incurred in connection with the first letting or subletting of a property for more than a year. These include legal expenses such as the cost of drawing up a lease, agents' and surveyors' fees and commission
- any costs of agreeing and paying a premium on renewal of a lease
- fees for planning permission or registration of title on property purchase.

26 Costs of services provided, including wages

If you also provide services to your tenants, such as gardening, portering, cleaning or something like communal hot water, you can claim for the associated costs if you can demonstrate that they were for the let property. If you receive any income for the services you provide you should include this as property income.

27 Other allowable property expenses

Include in box 27 any other expenses of the rental business not included in boxes 22 to 26, such as stationery, telephone, business travelling and other miscellaneous costs.

Where you are subletting the property and you (or an earlier tenant) paid a premium to your landlord when the lease was granted, you may be able to claim for part of the premium paid if the payment is taxable on your landlord as income. If you are not sure how to work out the amount you can include in box 27, please ask us (or your tax adviser).

28 Private use adjustment

Personal expenses are not allowable so if you have included in boxes 22 to 27 any amounts that were not wholly for the rental business, enter the private proportion in box 28. For example, if you let a property for only eight months in a year and you use it yourself for the other four months, you could put the full annual cost of insuring the property in box 22. If you do, you should include the four months' cost in box 28.

Calculating your taxable profit or loss

If you need any help with working out the business and private use, please contact us or your tax adviser.

29 Balancing charges

There may be a balancing charge if, during the year, you sell, give away or stop using an item in your business that you claimed capital allowances on.

Help Sheet 250 *Capital allowances and balancing charges in a rental business* explains this.

To qualify for Business Premises Renovation Allowance (BPR), premises must be held for at least seven years from the date the premises were first used or were suitable for letting. If within that period:

- the premises are sold - either freehold or by a long lease of 21 years, or
- they cease to be used for business activities, or
- the premises are demolished or destroyed, or
- the person who incurred the renovation costs dies

the allowance must be repaid. This is done by means of an adjustment known as a balancing charge. Enter in box 29 the amount of BPR which you have previously claimed on the premises.

30 Capital allowances for equipment, vehicles and some types of buildings

You cannot deduct the cost of buying, altering, building, installing or improving fixed assets such as property or machinery. Nor can you claim depreciation or losses when such assets are disposed of. Instead, you can claim capital allowances, which reduce your profits (or increase a loss).

You can claim capital allowances for the cost of plant and machinery such as vehicles, tools, ladders, computers and business furniture that belongs to you, and on agricultural buildings, industrial buildings and certain other buildings.

Each year you can claim 25% of the cost or value of such equipment or vehicles, etc. There are 'first year' allowances of 40% or 50% for some new items (excluding most cars - but see the box 32 note - and assets you lease out) and you may be entitled to a 100% allowance for environmentally friendly expenditure or environmentally beneficial technologies (see the note for box 32).

Help Sheet 250 *Capital allowances and balancing charges in a rental business* explains more about this.

If you lease an asset under a long funding lease you may be able to claim capital allowances but you should ask your tax adviser about this.

31 Business Premises Renovation Allowance (BPR)

The BPR scheme took effect from 11 April 2007. From that date, for a period of five years, if you carry out conversion, renovation or repairs to unused business premises which brings them back into business use, you are entitled to claim a 100% allowance against the costs incurred, subject to the following rules.

To qualify for BPR, premises must:

- not have been used for any trading or other business activity, or as offices, for at least one year before the works began
- be in an Assisted Area, that is, areas which are considered to be disadvantaged and eligible for regional aid. The whole of Northern Ireland qualifies as an Assisted Area and to see whether an area in England, Wales and Scotland qualifies go to www.dtistats.net/regional-aa/aa2007.asp
- be available for business or commercial use after the works are complete (but must

not be used for farming, fisheries and aquaculture, the manufacture of substitute milk products or synthetic fibres, shipbuilding, steel or coal industries).

BPRA cannot be claimed:

- if the renovation expenditure has been incurred on any residential property, or
- on the costs of acquiring the land, extending the business premises, or developing land next to the business premises.

For further information about BPRA and the conditions you must satisfy to claim the allowance, go to www.hmrc.gov.uk

32 Enhanced capital allowances at 100%

These enhanced capital allowances (ECAs) are for designated environmentally beneficial technologies used in the rental business. They are available for the purchase of:

- designated energy-saving and water-efficient technologies
- cars with low CO₂ emissions
- equipment for refuelling vehicles with natural gas or hydrogen fuel.

Equipment for leasing, letting or hire can qualify for ECAs. Include 100% capital allowances for flats over shops.

33 Landlord's Energy Saving Allowance

You can claim for installing:

- loft, floor, cavity wall or solid wall insulation
- draft proofing and insulation for hot water systems

in residential let property (excluding a property on which you are claiming the Rent a Room exempt amount or a property that is used for furnished holiday letting).

The maximum amount allowed for total expenditure on these items is £1,500 for each let property.

If you own the let property with others, and the total expenditure on the let property exceeds £1,500, only claim for your proportionate share of £1,500.

34 10% wear and tear allowance

If you let any **furnished** residential accommodation (other than as a 'furnished holiday letting') you cannot claim capital allowances on any machines, furniture or furnishings supplied, nor on any fixtures that are part of the building. Instead, you may claim a renewals deduction in respect of the renewal of all such items in box 23. Or, you may claim the 10% wear and tear allowance in box 34. But you cannot claim both.

The wear and tear allowance is equal to 10% of the net rents after deducting charges or services that a tenant would usually bear but which are, in fact, borne by you (such as Council Tax).

35 Rent a Room exempt amount

If you have included any Rent a Room income in box 18, enter in box 35 the Rent a Room exempt amount you are claiming (either £4,250 or £2,125, if the property is let jointly). See the notes on page UKPN 2.

36 Adjusted profit for the year

To work out the adjusted profit, use the Working Sheet below.

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Working Sheet for box 36 or box 39

Total rents <i>box 18</i>	A	£	<input type="text"/>
Premium for the grant of a lease <i>box 20</i>	B	£	<input type="text"/>
Reverse premiums and inducements <i>box 21</i>	C	£	<input type="text"/>
Private use adjustment <i>box 28</i>	D	£	<input type="text"/>
Balancing charges <i>box 29</i>	E	£	<input type="text"/>
Total <i>boxes A to E</i>	F	£	<input type="text"/>
Minus			
Furnished holiday letting losses <i>box 15</i>	G	£	<input type="text"/>
Expenses <i>boxes 22 to 27</i>	H	£	<input type="text"/>
Capital allowances <i>box 30 + box 32</i>	I	£	<input type="text"/>
Business Premises Renovation Allowance <i>box 31</i>	J	£	<input type="text"/>
Landlord's Energy Saving Allowance <i>box 33</i>	K	£	<input type="text"/>
10% wear and tear allowance <i>box 34</i>	L	£	<input type="text"/>
Rent a Room exemption <i>box 35</i>	M	£	<input type="text"/>
Total <i>boxes G to M</i>	N	£	<input type="text"/>
Adjusted profit or loss <i>box F minus box N</i>	O	£	<input type="text"/>

If box O is a profit, copy box O to box 36. If box O is a loss, copy box O to box 39.

37 Loss brought forward from previous year

Enter any loss brought forward from the year ending 5 April 2007, that you wish to reduce your profits, in box 37. This would have been entered in box 5.45 of your 2006-07 Land and Property pages. Exclude any amount brought forward that you are now setting against total income for 2007-08. This should be entered in box 40 provided you satisfied the conditions for set-off.

38 Taxable profit for the year

If you have a profit in box 36, you should deduct any losses brought forward from earlier years (box 37) to get your taxable profit for the year. If box 37 is greater than box 36 leave box 38 blank. Include the balance of this loss, after subtracting the profits, in box 41.

39 Adjusted loss for the year

To work out the adjusted loss, use the Working Sheet above.



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Loss set-off against 2007–08 total income

You can only set-off the loss in box 39 against total income if:

- the loss is due to certain agricultural expenses and your rental business includes land used for agricultural purposes (see Help Sheet 251 *Agricultural land*), or
- the loss arises as a result of claims to capital allowances (and your capital allowances in box 30 exceed your balancing charges in box 29). The loss that may be set-off is limited to the lowest of:
 - box 30 minus box 29, or
 - the loss in box 39, or
 - the amount of your other income.

Enter in box 40 the amount you wish to set-off together with the amount of any similar loss brought forward from last year (see the notes to box 37).

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Loss to carry forward to following year, including unused losses brought forward

Enter in box 41 any remaining losses not set-off in any other way. If you entered a profit in boxes 36 and 38 there are no losses to carry forward.

If you entered a profit in box 36 and left box 38 blank, enter in box 41 the balance of the loss brought forward (box 37 minus box 36).

If you entered a loss in box 39, deduct any part of this loss set-off against total income in box 40, and add the result to the losses brought forward in box 37.

Enter the total in box 41.