



Julia Casimo

Losses from a property partnership – can they reduce my tax bill?

Q. I hold six buy-to-let properties in my own name, last year they were tenanted all year and because of reduced interest rates they made a good profit. I am also a partner in a property partnership with 2 friends. The property partnership has only 2 properties which were empty last year so we made losses. Can I offset the losses from the partnership against the profit from my own properties to reduce my tax bill?

A. The six properties you own yourself will generally constitute a single rental business in HMRC's view; that means that the income and expenses can be pooled, so that profits on one property will automatically offset losses from another.

The situation for an investor who owns some properties in his/her own name and others jointly is less straightforward. There are a number of possible scenarios here. If an investor simply owns some properties jointly, for example with a spouse, then there should not be a problem with aggregating the share of profit or loss from the jointly owned properties with the solely owned properties.

However for a partnership the position is potentially more problematic, as HMRC may take the view that the partnership is a separate business, which would mean that the losses from the partnership cannot be used to reduce your tax bill this year.

Q. How do I decide whether this applies to me?

A. This will depend on the level of what HMRC call 'the degree of business organisation' in the partnership.

If a partnership bank account is operated, annual accounts drawn up and a partnership tax return prepared then these factors would all indicate that a separate business may exist, as would the provision of significant additional services. If none of these factors exist you may be able to argue that no 'partnership' exists, and rather that the properties are just jointly owned.

This is also a situation which will affect all of the partners, so it is important that you discuss matters and that you all adopt the same treatment.

As always good advice will be essential.

As with many decisions you really do need to take independent financial and tax advice. If you would like our help call Julia on **0151 228 8977** at **John Kerr Chartered Accountants** 369-375 Eaton Road, West Derby, Liverpool L12 2AH. Authorised and regulated by The Financial Services Authority

