



Julia Casimo

A Family Arrangement

Q. I own, together with my two sisters, a property which we inherited when our parents died. We are joint tenants, with all three names on the deeds. We have split the house into flats and rent them out. We divide the profits equally but because it is me that does all the paperwork, I put all the income and expenses on my Tax Return – is this OK?

A. In my experience an arrangement like yours is not unusual!! Many people find it administratively convenient to complete only one tax return and genuinely believe it to be perfectly alright, as H M Revenue and Customs are thus aware of all of the profits.

However there are a number of problems with this approach:

H M Revenue and Customs (HMRC) guidelines say that all three of you are personally responsible for including your share of the income on your own Tax Returns – even if you have agreed that only one of you will keep the records. They will take a particularly dim view of the situation if you pay tax at a lower rate than either of your sisters.

However HMRC do allow for joint owners to agree a revised split of profits which is different from the share of ownership, but this would depend firstly on their being an actual agreement between you and secondly on the profits actually being divided along the lines of the revised split, which in your case does not apply. In summary it does seem that your current arrangement is not correct and will require amendment.

Making this amendment voluntarily will minimise the penalties which would certainly apply were HMRC to enquire into the position.

As always to decide the best way forward for you and your sisters good professional advice is going to 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

