



## Non-Residential Letting Outside the Falkland Islands

### Tax Years 2011 Onwards

#### **Introduction**

This leaflet provides some basic guidance on the treatment for Income Tax purposes under Falkland Islands (FI) taxes legislation of income from property situated outside FI, where the building is let out for non-residential use (e.g. offices, storage, self-catering, holiday lets).

If you have income from property situated in FI or the property is outside FI and let out for residential use (e.g. long term rentals) - please contact our office for details on expenses/allowances you can claim.

#### **Do I need to declare to the FI Taxation Office details of my income from property situated outside FI?**

##### **Yes, if you are tax resident and/or ordinarily tax resident in FI for the FI tax year (1 Jan – 31 Dec)**

An individual's entitlement to allowances/deductions and chargeable income depends on their residency for tax purposes (please note this differs to residency for immigration purposes).

**Resident** – present in FI for a total of 183 days or more during the relevant tax year

**Ordinarily resident** – repeatedly resident in FI except for a temporary absence

#### **What expenses can I claim against this source of income?**

FI has its own taxes legislation and any deductions given by non-FI tax authorities do not apply when calculating income for FI tax purposes.

Generally rental income from non-residential buildings situated outside FI is treated the same way as any other business income and the general principles for outgoings and expenses that may be deducted from business income are:

- they were incurred during the relevant accounting period;
- they were incurred wholly and exclusively for the purposes of the business; and
- are not of a capital nature.

A set of accounts showing how you have arrived at your net taxable profit should accompany your relevant tax return (see below example).

Income from property at XXX for the period 1/1/17 – 31/12/17

Gross		£6,000
Expenses	Insurance	480
	Mortgage interest	500
	Service charge	438
	Repairs & maintenance	100
Net profit		£4,482
Depreciation		£ 200
Net taxable profit		£4,282

**Capital expenditure (e.g. building improvements/alterations, assets)** - may be eligible to depreciation allowances, please contact our office for further details and/or a copy of our guide on Depreciation Allowances.

Please note there may be a claw back of depreciation allowances e.g. if the asset is sold or you cease to be subject to FI tax on the income for which the asset is used to generate.

Example for a self-catering building expenditure value £100,000 (acquisition value if asset held before income became liable to FI tax = lower of original cost and market value at date income became liable to FI tax)

£10,000 depreciation allowances claimed within period business income was subject to FI tax leaving its Written Down Value as £90,000

Building is then sold or the business ceases to be subject to FI tax

Sale price / market value at that point (whichever is applicable) exceeds or is equal to £100,000

A balancing charge of £10,000 arises which is treated as income.

### **Medical Services Tax (MST)**

Income from property situated outside FI is not subject to MST.

### **Foreign Tax Credit**

FI holds one Double Taxation Agreement, with the UK. Under Article 6 of that agreement, the UK has primary taxing rights where property that is owned by a resident of FI is situated in UK.

FI will give foreign tax credit for any non-FI tax paid on your property income, however we will require proof of the tax paid and written confirmation from you that it will/has not been refunded. The foreign tax credit will be limited to the amount of FI tax due on that source of your income under FI tax rates.

### **Please note**

This paper is intended to give only broad guidance, and is not intended as a statement of law.

The points covered in this paper reflect current tax practice at the time of writing.

Special rules exist to deter tax advantages being gained by dealings between connected parties.

### **Questions and further information**

If you have any questions or need more information on this subject, or any aspect of FI tax, please contact the Taxation Office. Alternatively you may wish to seek professional advice e.g. from a lawyer or accountant.

FIG Taxation Office Secretariat Thatcher Drive Stanley Falkland Islands FIQQ 1ZZ	Tel  Email  Public opening hrs	(+ 500) 28470  general@taxation.gov.fk  Mon to Fri 9am - 12 noon (afternoon appointments by prior arrangement)
---	--	---