

Let property campaign

The Let Property Campaign is an initiative by HMRC to encourage those with undeclared rental income to come forward and to bring their tax affairs up to date. In return, HMRC will charge lower penalties than those levied on landlords who wait to be found out.

Who may benefit?

There are many reasons why a landlord may not have paid the correct amount of tax and in many cases the error will be an innocent one, arising because the landlord has not understood the rules. The campaign is available to individual landlords, including those who rent out one or more properties, undertake specialist lettings such as student lets, rent a room in their main home for more than the rent-a-room threshold of £7,500 a year, live abroad and rent out a property in the UK or live in the UK and rent out a property abroad, or who rent out a holiday home.

Taking part

Landlords who owe tax to HMRC and who wish to take part in the Let Property Campaign need to:

- notify – tell HMRC that they wish to take part in the campaign;
- disclose – tell HMRC about the undeclared income and gains;
- make a formal offer; and
- pay the tax that they owe plus associated interest and penalties.

Notification

To notify, you only need to let HMRC know that you will be making a disclosure – at this stage, you do not have to provide details of omitted income and gains. That comes later. Notifications can be made by completing the DDS form (see www.gov.uk/government/publications/hm-revenue-and-customs-disclosure-service). HMRC will then issue a unique disclosure reference number (DRN) and payment reference number (PRN).

Disclosure and payment

Details of undeclared income and gains are provided at the disclosure stage – which can be made once a DRN has been received and must be made (together with payment of tax, interest, and penalties) within 90 days of the date on the notification acknowledgement letter.

Payment must be made at the same time as making the disclosure – this is a condition of the campaign (although in rare cases it may be possible to negotiate with HMRC to make the payment in instalments). Guidance on preparing the disclosure is available on the Gov.uk website. HMRC also produce a calculator which can be used to work out the tax, interest, and penalties due. The disclosure contains a declaration that the disclosure is correct and complete. The declaration should only be made if this is the case, as the consequences of making a false declaration may be severe – and could include a criminal prosecution.

Acceptance or rejection

Once a disclosure has been made, HMRC will acknowledge receipt. If everything is in order after checks have been made, it will be accepted. If HMRC are unable to accept the disclosure, they will write to the landlord to let them know. Disclosures are unlikely to be accepted if checks find them to be materially inaccurate or if, prior to notifying, HMRC have informed the landlord of their intention to open an enquiry or compliance check.

Disclosing in itself will not guarantee immunity from prosecution, particularly if serious tax problems are revealed. However, choosing to disclose will work in the landlord's favour.