

WEALTHY EXTERNAL FORUM BRIEFING

Date of Briefing

30/11/21

Project Title

Residential property finance cost restrictions OTM nudge to amend

Purpose: What is it you want to share with the group?

One to Many letters

Author: Which part of HMRC is leading on the work and who is the contact?

As a wider HMRC approach Wealthy, Agent Compliance Team (ACT) and Campaigns and Projects (C&P) are working collaboratively on a project relating to customers that have potentially made residential property finance cost deductions in excess of the allowable proportion.

General feedback can be directed to the External Forum Mailbox. Contact details will be available in the letters for any customer or agent queries.

Detail:

In 2019-20, Self-Assessment (SA) customers should have deducted only 25% of their residential finance costs when calculating taxable property income, with the remaining 75% restricted to an Income Tax reduction at the basic rate.

We are conducting a One To Many letter exercise, in which we are nudging individuals who let property during 2019-20 and may have made deductions in excess of this allowable proportion when completing their 2019-20 SA return. The letter will explain the restriction to individuals and how it was phased in between 2017-18 and 2020-21. The recipients will be asked to review their 2019-20 SA return and make a self-amendment, if necessary, before the amendment window closes. Individuals who found that they made an error in their 2019-20 return will also be asked to check the previous two years. The letter explains that, where the individual identifies any errors for those years, they should tell HMRC using the Digital Disclosure Service (DDS). Individuals will be directed to guidance regarding amending returns and using the DDS in the letter.

Letters will be sent direct to unrepresented individuals.

Two approaches will be taken for represented individuals:

1. Where a large number of individuals that are dealt with by the same agent appear to have made deductions in excess of this allowable proportion when completing their 2019-20 SA return, ACT will issue a letter direct to the agent and not the individual.
2. For those represented individuals not covered by approach 1 a letter will be sent to the individual and their agent will also receive a copy of the letter.

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Timing

The letters will be sent in tranches across November and December 2021.

Other relevant information

A copy of the letter has been attached below.

It is also to be understood that, due to various external factors outside of our control, the dates that letters are to be issued may be subject to change.

Appendices



UPS121_Represente
d Letter.pdf



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