01 / WHO REPORTS THE RENT?

# The bank account receiving the rent does not decide the tax split.

Start with ownership, entitlement and the relationship between the owners.

## Three things to distinguish

**Legal ownership:** whose name is on the property title.

**Beneficial ownership:** who is actually entitled to the property's economic value and income. A valid legal arrangement may make this different from the title alone.

**Collecting the rent:** one owner or a letting agent may receive money for both. That does not automatically make all the income theirs.

**NOT A YEAR-END TAX CHOICE**

You cannot simply put all the rent on the lower earner's tax return because it gives a better result. We need the facts, legal documents and applicable income-sharing rules.

For individuals with UK rental property, not company-owned property. Partnership, trust, non-resident and separation cases need individual review.

## Which owners are involved?

| Owners | Normal starting point |
|---|---|
| Married / civil partners, living together | Income from jointly held property is normally taxed 50/50. Specific exceptions apply. |
| Unmarried partners, friends or other joint owners | Profit shares normally follow ownership, but a genuinely agreed different profit/loss division can apply. The tax reporting must match the actual agreement. |
| A genuine property partnership | Use the partnership rules and actual agreement. Owning a property together alone does not create a partnership. |
| Only one beneficial owner | Do not automatically apply the jointly held spouse rule or use Form 17. Ask us to establish the position. |

Keep the agreed treatment consistent unless the facts change. Each owner needs access to records supporting their share.

**CHECK THE RULES** Joint property: who is taxed · Rental income and entitlement · Actual unequal interests

02 / WHAT FORM 17 DOES

# Form 17 records a real unequal split. It does not create one.

For qualifying jointly held property of spouses or civil partners living together.

## The key requirements

The owners must already have **actual unequal beneficial interests**. Their entitlement to the property income must correspond to those interests.

Both must make the declaration and provide evidence, such as the relevant valid declaration of trust. The form itself does not change ownership.

**HMRC must receive it within 60 days** of the declaration. A valid declaration applies from its date, not a freely chosen earlier date. Do not post it on the final day and assume that is enough.

**FIRST THE LEGAL POSITION, THEN THE FORM**

Ask a solicitor to review or implement any ownership change. SBX checks the tax consequences and whether Form 17 applies. Merely diverting rental payments is not the same process.

If the beneficial interests change later, tell us promptly. The existing declaration does not automatically cover the new split.

## Example: £18,000 rental profit

Alex and Sam are married and live together. Their genuine property and income interests are **20% Alex / 80% Sam**. Compare the default treatment with a valid declaration applying throughout this example period.

| Profit and tax | Default 50/50 | Actual 20/80 |
|---|---|---|
| Alex's share, fully taxed at 40% | £9,000 | £3,600 |
| Sam's share, fully taxed at 20% | £9,000 | £14,400 |
| Alex's tax | £3,600 | £1,440 |
| Sam's tax | £1,800 | £2,880 |
| **Combined tax** | **£5,400** | **£4,320** |

An illustrative **£1,080 difference**, not a guaranteed saving. Assumes £24,000 rent less £6,000 allowable costs, no borrowing, full stated bands, no other allowances or charges, and England/Wales/NI 2026/27 rates.

This is not permission to backdate a declaration or choose 20/80 without those real rights. A change during a year may require separate before/after calculations.

**CHECK THE RULES** Form 17 and supporting evidence · Actual unequal interests · Evidence of beneficial ownership · The 60-day deadline

03 / BEFORE CHANGING THE SPLIT

# Check the whole property position, not only this year's income tax.

A transfer of valuable rights can affect the mortgage, capital taxes and future sale proceeds.

## What else needs checking?

**Mortgage and ownership:** obtain the legal and lender advice needed. A smaller income-tax bill is not worth an unintended transfer of value or breach of mortgage terms.

**Capital Gains Tax:** transfers between spouses/civil partners living together are normally on a no-gain/no-loss basis. Gifts to others can create a market-value tax calculation.

**Property-transfer tax:** taking over mortgage debt can count as consideration even with no cash paid. SDLT applies in England/NI; Wales and Scotland have separate taxes.

**Future consequences:** the real rights can affect sale proceeds, inheritance and relationship breakdown. Trust and reporting requirements may also need review.

**SEND THE EXISTING DOCUMENTS FIRST**

Do not commission a new deed or submit Form 17 until we know how the property is currently held. Historic under-reporting is not fixed by a new declaration today.

## Your property fact-find

| What SBX needs | Your details |
|---|---|
| Property address / country | |
| Legal owners / relationship / living together? | |
| Beneficial shares and documents proving them | |
| Who receives rent and what was reported before? | |
| Mortgage balance / proposed debt changes | |
| Proposed change / date / solicitor involved | |
| Form 17 signed / received date, if already filed | |

**Contact our office or your account manager.** info@sbxaccountants.com | 020 7046 1730

Complete a private copy and send it through your agreed SBX upload channel. Do not put completed client records in the shared resource library.

**CHECK THE RULES** Property transfers and SDLT · Capital gains on gifts · Form 17 and supporting evidence · Joint property: who is taxed