

# Airbnb-type lets – is rent-a-room relief available?

## Introduction

Many homeowners have taken advantage of sites such as Airbnb to let out a spare room on a temporary basis or their whole property while they are away. In most cases, as long as the associated conditions are met, hosts can enjoy rental income of up to £7,500 tax-free under the rent-a-room scheme. This continues to be the case as planned legislation to restrict the availability of the relief has not been introduced.



## Rent-a-room relief

Rent-a-room relief is a relief that allows individuals to earn up to £7,500 per year tax-free from letting out furnished accommodation in their own home. This limit is halved where more than one person benefits from the income such that each person can enjoy rental income of up to £3,750 per year tax free.

The relief is available to owner occupiers and tenants. To qualify, the rental income must relate to the let of furnished accommodation in the individual's only or main home. While the relief was introduced to boost the supply of cheap residential accommodation, there is no minimum period of let and applies equally to very short

lets. Further, the individual can let out as much of their home as they want.

The relief can be used where a room is let furnished to a lodger. It can also be used where the letting amounts to a trade, for example, where the individual runs a guest house or a bed-and-breakfast or provides services such as meals and cleaning.

Where gross rental income is less than £7,500 (or £3,750 where the income is shared), the relief is automatic – there is no need to tell HMRC.

Where the gross rental income exceeds the rent-a-room limit, the individual has a choice of deducting the rent-a-room limit and paying tax on the excess or calculating the profits in the normal way by deducting the actual expenses. Claiming rent-a-room relief will be beneficial if there is a profit and actual expenses are less than the rent-a-room limit. This is done on the tax return.

It is not possible to create a loss by deducting the rent-a-room limit if, for example, rental income is less than the limit – the income is simply treated as being nil. Where deducting actual expenses from rental income produces a loss, it is better not to claim rent-a-room relief to preserve the loss.

Rent-a-room relief cannot be claimed where the accommodation is not in the individual's main home, where accommodation is provided unfurnished or where a UK home is let out while the owner is working abroad.

## Airbnb-type income

Rent-a-room relief is available for Airbnb-type accommodation as long as the conditions are met. The issue is not whether the income is from an Airbnb-type let; rather, whether the conditions for rent-a-room relief are met. This is likely to be the case if the nature of the Airbnb let is such that it comprises the let of a furnished spare room in the taxpayer's home, or the whole home

for a short period, such as a weekend or a couple of weeks when the homeowner is on holiday.



However, where the individual uses Airbnb or similar to let accommodation in a property which is not his or her main home, for example a holiday cottage, rent-a-room relief is not available and the normal property rental rules apply. The individual may, however, benefit from the property income allowance of £1,000.

#### **Information to readers**

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#### **Recommendation**

To obtain the rent-a-room relief, you need to meet the qualifying conditions, whether the room was let through Airbnb or some other means.

If you are unsure, contact me.

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