

9. AIRBNB, RENT-A-ROOM AND PROFESSIONAL PROPERTY OWNERS

It would appear that professional property owners have turned to Airbnb in record numbers as a result of the tax changes. Airbnb was set up in 2008 to allow homeowners to let spare rooms or entire properties for short periods. It would appear that a growing number of landlords are using the website as a business. Many consider that the website is changing the whole hotel and property letting industry. The question to be asked is, what is the tax treatment?

Some of the property lettings will be covered by rent-a-room relief, which provides a tax-free amount of rental income that can be received for letting furnished accommodation in the taxpayer's own home. The limit of the relief was set at £4,250 per annum for years, but was raised to £7,500 per annum from 6 April 2016.

Whether the activity of property letting is a trade is a question of fact, which will be determined by reference to factors such as what other services, if any, are provided in addition to the accommodation. A guest house or bed and breakfast, for example, would be regarded as a trade.

A plan for claiming expenses if the activity is a trade would be to claim all of the household running costs, reduced by an appropriate amount under the fixed rate scheme, as set out in s941, Income Tax (Trading and Other Income) Act 2005 ('Premises used both as a home and as business premises'). One alternative to the buy-to-let rules is to classify Airbnb income as furnished holiday accommodation, where it meets the criteria to qualify. There are many who are advising the consideration of furnished holiday accommodation as an alternative to buy-to-lets and some argue that this is being fuelled by the Airbnb website.

The question of letting or trading with property income is at a crossroads in terms of tax treatment, opportunity (eg, Airbnb) and decisions over best commercial returns. There is no doubt that some of the recent tax changes, eg, the rent-a-room increase and the reduction in tax relief in loan interest, are going to leave taxpayers reviewing commercial considerations.

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