

Tax implications of letting out your property through Airbnb

By Tim Hardy, Shipleys Chartered Accountants

With summer finally here, many people's thoughts turn to holidays and where to stay. Popular sites like Airbnb are also inspiring some homeowners to generate income by letting out part or all of their property. But what are the tax consequences of this?

It all depends on how much you make and how much of your property you let out.

Letting out one room

If you receive less than the rent-a-room exemption (currently £7,500 per year), then you only have to tick the appropriate box on your annual tax return and won't pay tax (you should be filing a return if the income is over £2,500). Above the £7,500 you will be subject to tax. Be aware the relief applies to your property, not you as an individual. So if you co-own your home with your spouse, the £7,500 allowance has to be split between you both.

If you have any other letting income of less than £1,000 in a tax year (for example letting out a car parking space), this is also exempt from tax, but is not in addition to the £7,500 allowance.

Letting out more than one room or your whole property

When you let out more than one room in your main residence, different tax obligations apply. For a start you will almost certainly need to complete an annual tax return. The amount of tax you pay will depend on what profits you've made from letting

plus any other income sources you have. With the letting income you can deduct certain allowable expenses first - such as a proportion of building and contents insurance, council tax, maintenance/repairs to the property. Seek specialist advice for the complete list.

Be careful if you're looking to sell the property

Finally, if you are looking to sell the property in future, do get specialist advice regarding any letting you've done or plan to do. Even though a main residence is exempt from Capital Gains Tax (CGT) when you sell your property, any period of letting activity isn't. There are certain tax relief thresholds, including the CGT lettings allowance, which can be taken into account first, however, do seek professional advice to ensure you don't end up with a hefty CGT bill.

For more advice about tax matters affecting you and your family please contact me and our friendly team at Shipleys LLP in Godalming.

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