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Airbnb and Glamping

Due to the diverse arrangements that are advertised, Airbnb 'rental' income does not have one specific tax treatment.

Similarly, the term 'glamping' can cover a variety of accommodation, with a range of services provided to guests.

Therefore, when looking at the tax treatment of these categories of income, it is necessary to consider the substance of the arrangement and the relevant tax reliefs to establish whether any are applicable and/or tax effective.

In the absence of suitable evidence, the default is to treat both types of income as rental which is a form of investment income.



Furnished Holiday Let (FHL)

To qualify as a furnished holiday let for tax purposes, the property must meet the following conditions:

- be in the UK or European Economic Area (EEA);
- be furnished sufficiently for normal occupation;
- be let commercially;
- be available for letting for at least 210 days in the year, HM Revenue & Customs (HMRC) does not count the property as available if it is used by the owner; and
- be let for at least 105 days in the year, excluding lets for free or reduced rates or lets of over 31 days unless this is due to unforeseen circumstances.

The Coronavirus restrictions may have resulted in a property not being available to let, or let at all, for the requisite number of days. Recently HMRC has confirmed that, provided the property was capable of being let and there was a genuine intention to do so but letting was not permitted due to the restrictions, it may be possible for the business to make a 'period of grace' election (POGE) to preserve its FHL status.

The POGE has its own conditions plus it cannot be made for the first year of letting but HMRC has remained silent on how the restrictions will affect new FHL businesses which started since March 2020. Therefore, many of these businesses may not qualify as FHL.



However, if the property meets the conditions, capital allowances can be claimed for capital items used in the FHL such as furniture, equipment and fixtures.

The profits count as earnings for the purpose of determining the pension contribution allowance for the tax year.

On disposal of a qualifying property there is the potential to claim reliefs from Capital Gains Tax including Rollover Relief, Business Asset Disposal Relief, and Holdover Relief for gifts of business assets.

For loss relief purposes, properties are split between UK and EEA properties. Losses incurred on UK FHL properties are automatically used against UK FHL profits and any surplus losses are carried forward to be set against future UK FHL profits. EEA properties are treated in the same way.

Rent a Room relief

In order to be eligible for Rent a Room relief the following conditions must be met:

- the owner must be resident in the property at the time it is being let out;
- the property must be the owner's main home;
- the property must be furnished; and
- the accommodation must not be used as an office or for a business, although circumstances where a guest is 'working from home' can be ignored.

If the conditions for Rent a Room relief are met, a deduction of up to £7,500 from gross letting receipts is available. If the income is received jointly, the deduction is shared.

Rent a Room relief cannot create a tax loss therefore, if allowable expenses are greater than the relief, it is possible and more tax efficient not to claim the relief.

Property Allowance

If the letting does not meet the conditions to be treated as a FHL and Rent a Room relief is not relevant, the property allowance of £1,000 may be available. As with Rent a Room relief, either this allowance or the tax allowable expenses may be deducted from gross rental receipts. The property allowance cannot create a tax loss.

This allowance is not available if:

- rental income is received from a company the property owner or a connected person controls; or
- rental income is received from a partnership where the property owner or a connected person is a partner; or
- rental income is received from the employer of the property owner or their spouse/civil partner; or
- the owner claims the tax credit associated with finance costs; or
- the owner is eligible to claim Rent a Room relief, even if a claim is not made.

Is it a trade?

While qualifying furnished holiday let activities benefit from certain Income Tax and Capital Gains Tax reliefs similar to trades, in most cases they are not so regarded for the purposes of Inheritance Tax (IHT).

It is inherently difficult to persuade HMRC that a FHL business is nothing more than an investment activity. Case law shows that only very proactive businesses supplying a high level of services, almost akin to a hotel, will succeed in qualifying for IHT reliefs.

This document is intended as a general guide and although Chavereys have made every effort to ensure accuracy, they cannot accept liability for any errors of fact or opinion.