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Certified Accountants

Tax on Airbnb Income

HMRC is turning its attention to landlords of short-term property booked through online property sites such as Airbnb & Booking.com.

In its latest campaign, HMRC is writing to what it says is a “small number” of tax payers who it thinks might have earned income from short term property lettings. As always in these campaigns, HMRC’s terminology is that it wants “to help taxpayers to get their tax right’.

HMRC are primarily looking at landlords who have earnings from letting their property using sites such as Airbnb.co.uk, Booking.com, VRBO and Holiday Lettings.

The law says that if gross receipts from renting rooms is less than £7,500 in a tax year, this does not have to be declared in a self assessment return as the income is automatically exempt through the “rent-a-room scheme” if the rooms are let out in your own home. However:

- this limit is reduced to £3,750 if two people receive income from the same property.
- It does not apply to second homes or any rented property that you do not live in.

If rent-a-room relief does not apply, UK short-term landlords can claim a £1,000 tax free allowance on income earned from hosting. However, this is different to rent-a-room relief and only one of these allowances can be used in a tax year.

Landlords should be aware that HMRC will use information about property rental in the UK and abroad and any other information they hold on taxpayers to identify people who might not have paid what they owe. This might include information that is provided to HMRC by online platforms.

It is important to note that if you do not make a voluntary disclosure now and HMRC finds out later, you could get higher penalties or face criminal prosecution.

Much like the online platforms themselves, this is an example of a situation where technology is enabling people to engage in business activities which would have been impossible or impractical in the past. This is good, but comes with the risk that people not used to dealing with finance or HMRC may not realise that they have a requirement to make returns or pay tax. It should also be remembered that the same technology is being used by HMRC to more easily gather information on unreported income or business activity, so people involved in these activities should not assume that they are out of the reach of HMRC.

For More Information

If you have any questions about the points raised, or would like to know more about anything covered, please contact us:

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