

Bump in the night for Airbnb landlords

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Rule changes on short term lets could see part-time landlords hit by a new tax bill from next year if they let out their whole property.

Homeowners can earn up to [£7,500 per year tax free](#) by renting a room to a lodger, but the rise of the sharing economy and sites like Airbnb has seen many hobby landlords come into the market and use the tax break to offset income when they let the whole of their home out for short stays.

Whether it's property owners in SW London letting their home during the Wimbledon tennis tournament, or hard-up homeowners staying with family and friends while letting out their flat or house for occasional nights to supplement their income, many are making use of the rent a room allowance to offset rental income.

But new legislation drafted by HMRC will mean the tax break will be allowed only if the letting is for just part of the property, and the owner is living there for at least part of the stay. The change could mean an extra tax bill of as much as £3,000 per year as a result, although such landlords will be able to benefit from the £1,000 per year allowance for trading and property income introduced in the Chancellor's 2017 Budget.

The measure is intended to make sure that the rent a room relief is focused on its original purpose, which is to encourage home owners to make unused rooms available for lodgers and the draft legislation is set to be confirmed in the autumn Budget for inclusion in the Finance Bill 2018-19.

Property solicitor, [Joseph O'Neill](#), explains:

"Thanks to the huge rise of the sharing economy and the success of Airbnb and other platforms in offering accommodation for short term letting, we have seen many

more home owners becoming landlords. It's made it very easy to get into letting these days, with a ready supply of guests looking for short term rentals, but it doesn't mean the rules and responsibilities are equally simple and whether you're an occasional or full-time landlord, it's important to understand them."

He added:

"Using platforms such as Airbnb will help with many aspects, such as having an agreement in place with the people sharing or taking over your home, but it's naïve to imagine they have the whole thing covered in protecting your interests. As well as keeping up to date with the tax side of things, that's likely to include being sure you have the right insurances in place, as the terms of your property insurance may be affected if you are letting any part out. You may also need to consider specialist insurances to cover you against accidental damage, liability if any guest is injured in your home, through to covering yourself against possible loss of income due to unforeseeable events."

And alongside the national rules and regulations, from tax to health & safety, there may be local bylaws to comply with, such as the maximum 90 days per year rule that applies on short term rentals in London."

Under the [Deregulation Act 2015](#), homeowners in London can rent their homes to guests on a short-term basis for up to 90 days in one calendar year, without having to apply for planning permission to change their property use class from a C3 (Dwelling House) to C1 (Hotels, Boarding Houses, Guest Houses). The 90 days can be made up of a series of one-off nightly or weekly lettings or by a single block of time, but once the quota has been used up, if the homeowner goes on to exceed the 90-day rule without permission from their Council, then they can

be subject to penalties of up to £20,000 for each unlawful letting.

Joseph said:

“Airbnb has processes in place that will automatically prevent anyone in London from letting their property for more than 90 nights through the platform, but if landlords are using a number of different letting sites for their property, it’s likely the alert will not be triggered, and they could find themselves breaking the law. For someone who is committed to maximising short-term rental income beyond the 90 days, then an option may be to consider seeking a change in planning use but bear in mind that the applications is time consuming and such approvals are usually rarely given as the Council’s interest is in retaining long term housing supply.”

Joseph O’Neill
020 7299 6905
joseph.oneill@riaabg.com
www.riaabarkergillette.com



Note: This is not legal advice; it is intended to provide information of general interest about current legal issues.

