Rent-a-room relief: Call for evidence

Personal tax

01 February 2018

The CIOT, ATT and LITRG will be meeting HM Treasury officials to discuss the call for evidence on rent-a-room relief. To help inform our response to government we would welcome input from members with experience of the scheme.

The government has published a call for evidence to understand how rent-a-room relief is currently used. Full details can be found on GOV.UK. The CIOT and ATT will be responding to the call for evidence and are seeking members' views to help inform our submissions.

The rent-a-room rules apply to the ordinary letting of furnished accommodation in a person's only or main home, for example, where an individual takes in a lodger or runs a guest house, and allows the first £7,500 of income from qualifying lettings to be received tax-free. The scheme applies to people who let a room in a home they rent as well as to people who own their own homes and is available on the let of a room to someone who is staying in the property as a visitor, on holiday, to attend an event, to work, study, etc. for any length of time. The scheme does not, however, apply to rooms let as an office or for other business purposes (for example, outbuildings let for commercial use) nor does it apply to accommodation that is not part of the individual's main residence (for example, a separate annex).

Rent-a-room relief is also separate from the new £1,000 annual tax allowance for individuals for property income, which applies to commercial and residential lettings, and includes both UK and overseas properties. The property allowance cannot be claimed on income that would qualify for relief under the rent-a-room scheme. Thus, the property allowance is most likely to apply to the letting of, for example, commercial property (for example an office or garage), driveways, and second or holiday homes where there are minimal expenses.

The call for evidence aims to:

- Find out more about the current use of the relief: for example who uses the relief, what kinds of activity they are carrying out, why they might choose to let spare accommodation in their main or only residence, and the effect of the relief on the housing market.
- Establish whether the relief is working as intended when it was introduced in 1992: that is to increase the supply and variety of low-cost residential housing.
- Establish any potential options for reform of the relief: for example restricting rent-a-room relief to lettings of over 31 days.

The CIOT, ATT and LITRG will be meeting with HM Treasury officials to discuss the call for evidence and to help inform our response to the consultation we are undertaking a survey to better understand:

- The number of individuals claiming rent-a-room relief and the type of activity on which relief is being claimed (for example lodgers, bed and breakfast, etc).
- Whether all types of letting activity, regardless of the purpose or length, should be able to benefit from rent-a-room relief, for example, letting of a basement flat/annex, letting of a garage for commercial use, etc.
- What other options there are for improving the scheme, for example would increasing the exempt threshold increase the supply of available accommodation.
- Can the scheme be made simpler to understand and apply? For example, is it clear whether the letting of a person's main home during a period when that person is temporarily not in residence, for example while he/she/they are on holiday/staying elsewhere, falls within the scheme. Do we need better guidance, for example a flow chart for people to check if eligible, etc?

If you, or colleagues, have experience of the rent-a-room scheme, or of non-qualifying lettings of a person's main home, we would welcome your input. A survey will be emailed to members, can be linked to from the CIOT and ATT websites and will be open until 12 February.