Draft Finance Bill 2018-19: Rent-a-room and non-exclusive residence (Clause 14)

Personal tax

01 November 2018

The ATT submitted comments on the proposed changes in the 2018-19 draft Finance Bill to rent-a-room relief and highlighted the need for clear guidance.

The ATT submitted comments on the changes proposed by draft FB 2018-19 to rent-a-room relief. This piece was written before the Budget and will be published after it – by which time we may well know if any of the concerns raised have been addressed.

The draft legislation introduces a non-exclusive occupation test which must be met for receipts to be eligible for rent-a-room relief. Rent-a-room relief will only be available from 6 April 2019 for receipts where the individual claiming the relief is using the property for sleeping accommodation for all or part of the time that their paying guest or lodger is occupying the property.

In the ATT's response to the call for evidence on rent-a-room earlier this year, we had called for the relief to be left unchanged but for some aspects – such as the position when the individual was letting when not in residence – to be clarified. So, in general, our response was broadly welcoming of the measure although we did highlight a few areas of concern.

In correspondence with HMRC, we were advised that receipts which did not qualify for rent-a-room receipts under the new rules may be eligible for the property allowance. Our response highlighted that an individual who had an unused property allowance might therefore deliberately choose to fail the non-exclusive test on up to £1,000 of receipts, in order to increase their potential relief to £8,500. We asked for clear guidance on this point and also on the interaction between rent-a-room relief

and the exclusions where the property allowance is not available.

On a practical level, the ATT also asked HMRC for guidance on how landlords would be expected to evidence that they had met the non-exclusive occupation test. The landlord only needs to be in occupation for one night out of a guest's stay to meet the test and our response included a number of examples of how this might work in practice. We asked for these to be included in any guidance so that individuals, particularly the unrepresented, can clearly understand if they are complying with the new rules.

Finally, the response highlighted that the new test could mean that a landlord would be unable to claim rent-a-room relief when they had been unable to remain in the property due to factors outside their control (e.g. illness or delayed travel arrangements). The response included a suggested remedy to tackle this potential unfairness.

The ATT's response can be found on the ATT website.