

Clause 14: Rent-a-room: non-exclusive residence

Summary

1. This clause introduces an additional non-exclusive residence test into s786 of Chapter 1 Part 7 Income Tax (Trading and other Income) Act 2005 that must be satisfied in order for receipts to be eligible for rent-a-room relief. The test requires the individual or individuals in receipt of income to share occupancy of the residence in question with the individual whose occupation of the furnished accommodation is generating the receipts. This clause has effect from 6 April 2019.

Details of the clause

2. Subsection (1) provides that s786 ITTOIA 2005 is amended.
3. Subsection (2) inserts new paragraph (1)(ca) after paragraph (1)(c).
4. New paragraph (1)(ca) provides that the physical use of the furnished accommodation by a person (the tenant) must overlap wholly or in part with the use of the residence as sleeping accommodation by the individual (the landlord) or by a member of their household.
5. Subsection (3) inserts new subsection (8).
6. New subsection (8) provides that a member of the individual's household does not include a person who is a member of that household only by reason of them being an occupier under a letting, only by reason of them being an employee, or by being both.
7. In practice subsection (8) provides that a member of the household would include a co-habiting partner, or a grown up child as they are members of the household in their own right. The purpose of this new subsection is to limit availability of rent-a-room relief to those situations where the residence is shared with a household member, not someone who merely lives in the same dwelling.
8. Subsection (4) provides that the amendment to ITTOIA 2005 has effect for the tax year 2019-20 and for subsequent tax years.

Background note

9. Rent-a-room relief provides income tax relief for those letting out furnished accommodation. It was introduced in 1992 to encourage individuals to make spare capacity in their homes available for rent. The government intended this to increase the quantity and variety of low-cost rented accommodation, giving more choice to tenants and making it easier for people to move around the country for work.

10. Rent-a-room relief gives relief from Income Tax for up to £7,500 of income to individuals who let furnished accommodation in their only or main residence.
11. In the last 25 years the housing market has changed significantly. The private rented sector has more than doubled in size, and the emergence and growth of online platforms in particular, have made it easier than ever for those with spare accommodation to access a global network of potential occupants.
12. The objective of this clause is to ensure that rent-a-room relief is better targeted to achieve its objective of incentivising individuals with spare accommodation (that might otherwise go unused) to share their homes.
13. If you have any questions about this change, or comments on the legislation, please contact Robert Nott on 07748 634689 (email: Robert.nott@hmrc.gsi.gov.uk)

