

Tax E-News

Welcome to our latest monthly tax newswire. We hope you enjoy reading this newsletter and find it useful. Contact us if you wish to discuss any issues further.

August 2019



Rent-a-room Relief

If you rent out a room (or rooms) in your home to private tenants, the rental income you earn will be exempt from income tax, provided this income does not exceed a certain limit in a tax year. This is called the rent-a-room relief. A self-contained unit, such as a basement flat or a converted garage attached to your home, can qualify for this relief.

Rules

For you to qualify for rent-a-room relief, your home must be located in the State and you must occupy it as your sole residence during the year of assessment. This means that it is your home for the greater part of the year and is where people would normally expect to make contact with you. In most cases, you do not have to own the property – you could be a tenant and be sub-letting to someone else.

You cannot deduct expenses from your rental income while claiming rent-a-room relief.

However, depending on the circumstances, it may be worth your while to opt out of the relief in a particular year in order to offset expenses against the rental income and avail of wear and tear allowances. If you qualify for rent-a-room relief, the income you get from renting out the room is not liable to PRSI, the Universal Social Charge or income tax. However, it must be included on your annual income tax return.

Rent-a-room relief will not affect your mortgage interest relief or your exemption from Capital Gains Tax (CGT) if you sell your home.

Exclusions from rent-a-room relief

You will not qualify for the relief if:

- You are an employee or office-holder in a company, and the company pays you to allow clients to use the room in your home on an occasional basis.
- You are renting the room to short-term guests, for example, through an online accommodation booking site.
- The relief applies only to residential tenancies, not to short-term guest arrangements. The occupants must be using the room on a long-term basis. So, renting a room to a student for the academic year or for a one-month course is covered, but providing accommodation to occasional visitors for short periods, for example, through an online accommodation booking site, is not, as this income is not considered to be rental income. This is because the visitors use the accommodation as guests rather than tenants. Revenue has published a guidance manual on how this income is treated for tax purposes.
- Your gross income from rent and related services is over €14,000. In this case, Revenue will treat your rental income minus allowable expenses as part of your total income for tax purposes and should be included in your tax return.
- You are renting the room in your home to your civil partner, son or daughter (but there is no restriction in the case of other family members).

If you normally rent out the room for the academic year and you rent it out for short breaks during the summer as well, you must identify the income you get from the short rentals, separately from the income that qualifies for rent-a-room relief, when making your tax return to Revenue.

Agreement with your tenant

Before you arrange to rent out a room in your home, it is strongly recommended that you and the tenant agree some ground rules and put them in writing. If you and your tenant each sign and keep a copy of this agreement, you can both refer to its terms in the event of confusion or disagreement.

These ground rules might include:

- How long is the tenancy going to last?
- How much notice will you or your tenant have to give if either of you chooses to end the tenancy?
- How much rent will the tenant pay and how often (for example, weekly, monthly)?
- How will this rent be paid (cash, cheque, standing order etc.)?
- When will the rent be reviewed and how much notice will you give the

tenant of a rent review?

- How are utility bills (such as electricity, gas, phone, broadband, TV, waste charges) to be divided between you and the tenant?
- Can the tenant have visitors to stay overnight?
- Are there any restrictions regarding noise levels?

Where more than one person is entitled to benefit from the rent (for example, you and your spouse), this limit is divided between the individuals concerned.

How to apply



To claim rent-a-room relief you must record your rental income when making your annual tax return.

If you wish to opt out of the rent-a-room relief in a particular tax year, you must notify Revenue in writing, on or before the return filing date for that tax year.

Please contact a member of our team if you would like to discuss any of the issues raised.

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KEY FILING DATES - AUGUST 2019

TAX HEAD	RETURN	PERIOD	PAYMENT & FILING DATE
Dividend Withholding Tax	DWT	July 2019	14 th August 2019
Professional Services Withholding Tax (PSWT)	F30	July 2019	14 th August 2019
PAYE/PRSI/USC/LPT	Monthly Deductions	July 2019	23 rd August 2019
Corporation Tax	Preliminary tax	Accounting periods ending 30 th September 2019	23 rd August 2019
Corporation Tax	Corporation Tax Return (Form CT1)	Accounting periods ending 30 th November 2018	23 rd August 2019
Relevant Contracts Tax (RCT)	RCT Monthly Return	July 2019	23 rd August 2019
Corporation Tax	Returns of Third-Party Information (Form 46G)	Accounting periods ending 30 th November 2018	31 st August 2019
Corporation Tax	Close companies with undistributed profits	Accounting periods ending 28 th February 2018	31 st August 2019

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