

# Airbnb

## General guidance on the taxation of rental income in Ireland

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# Introduction

This booklet will provide you with information on the taxation of rental income in Ireland and guidance on how to file an Irish tax return. The glossary at the end of the booklet provides an explanation for some of the tax terms used throughout.

## Disclaimer

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# Taxation of rental income and guidance on filing tax returns

## The tax year

The tax year in Ireland is the same as the calendar year, i.e., it runs from 1 January to 31 December each year.

## Airbnb's reporting obligation in Ireland

Airbnb is legally required to report the Airbnb earnings of all Irish resident hosts and non-Irish resident hosts with Irish listings to the Irish Revenue in September of each year. That report covers earnings for the previous year, i.e., the report in September 2016 will cover host's earnings for the 2015 calendar year.

More information is available here: <https://www.airbnb.ie/help/responsible-hosting>

## Rental income

If you receive rental income from a property located in Ireland, the rental income is subject to Irish tax (unless rent-a-room relief ("RARR") applies - see glossary), even if you don't live in Ireland.

If you receive rental income from a property outside Ireland, it may be taxable in Ireland if you are currently resident in Ireland or have been resident in Ireland at any time in the last 4 years.

If your rental income is taxable in Ireland, you must file a tax return with the Irish Revenue.

## General information on Irish tax returns

You can file a tax return with the Irish Revenue by filing either a Form 12 or Form 11.

### Form 12

If you have PAYE income and you also have:

- ▶ Gross non-PAYE income of less than €50,000 in the tax year, and
- ▶ Net assessable non-PAYE income of less than €3,174 in the 2015 tax year (€5,000 in 2016),

you may be able to arrange with the Irish Revenue to have the tax due on your non-PAYE income collected by reducing your annual tax credits. Taxpayers who have made this arrangement can file a Form 12. Form 12s can be submitted in paper form or electronically by completing an eForm 12 via myAccount. You can register for myAccount via [www.revenue.ie](http://www.revenue.ie)

## Form 11

Otherwise you will need to file a Form 11. Form 11s can only be submitted electronically via Revenue's Online Service (ROS). You can register for ROS via [www.revenue.ie](http://www.revenue.ie)

If you have to file a Form 11, you will need to register for income taxes with the Irish Revenue and you will be required to pay Preliminary Tax. Preliminary Tax is an estimate of tax due for the current tax year and is payable to the Revenue in advance by 31 October in the current year. For example, Preliminary Tax for 2016 must be paid by 31 October 2016. As the payment deadline is late in the year you should already have an accurate idea of the level of income you have earned in 2016 and are expected to earn for the remainder of the year.

Additional information about Preliminary Tax can be found here <http://www.revenue.ie/en/tax/it/leaflets/ie10.html#section4>.

If this is the first year that you have filed a Form 11, please refer to the section entitled 'Making payments under Self-Assessment for the first time' in the Revenue guidance leaflet.

Your Preliminary Tax payment will be credited against your ultimate tax liability for the year in question. For example, if you pay Preliminary Tax for 2016 this will be credited against the ultimate tax liability arising on your 2016 Irish tax return. If you overpay Preliminary Tax, you may be eligible for a refund or you can use this overpayment to pay your Preliminary Tax liability for the following year.

If you don't pay your Preliminary Tax on time or if the amount of Preliminary Tax you pay is too low, interest is due, on late payments of tax, for each day or part of a day that the tax is outstanding, at a rate of 0.0219% per day.

## **Income Tax Filing Deadline**

The income tax filing deadline in Ireland is 31 October in the year following the tax year, e.g., for 2015 the deadline is 31 Oct 2016. If you file a Form 11 and you file your return and pay your tax liability via ROS you can avail of an extended deadline which is generally set during the second week in November, e.g., for 2015 the extended ROS deadline is 10 Nov 2016.

If you do not submit your tax return by **31 October** in the year following the tax year in question, a surcharge will be added to your tax bill for the year. The surcharge is:

- ▶ 5% of the tax due up to a maximum of €12,695 where the return is made within 2 months of the return filing date,
- ▶ 10% of the tax due up to a maximum of €63,485 where the return is made more than 2 months after the return filing date.

If you don't pay your tax liability on time, interest is due, on late payments of tax, for each day or part of a day that the tax is outstanding, at a rate of 0.0219% per day.

## Revenue contact details

You can contact your local Revenue district office by entering your PPSN on Revenue's contact locator tool which can be accessed at the bottom right hand side of the Revenue's website **[www.revenue.ie](http://www.revenue.ie)**

## Expenses

Some of the expenses you incur in relation to the rental of a property may be deducted from your rental income. Some common examples of deductible expenses are:

- ▶ Cost of goods/services paid by the host, e.g., gas, electricity, bins, TV, internet, etc.
- ▶ Maintenance costs, e.g., cleaning, laundry, etc.
- ▶ Management costs, e.g., Airbnb service fee and legal/tax fees incurred in connection with the letting of the property
- ▶ Insurance paid for the property
- ▶ Repairs incurred in connection with the letting of the property
- ▶ 75% of the mortgage interest incurred

## Remember...

- ▶ You must keep receipts for all expenses for 6 years in case the Irish Revenue request proof of expenditure
- ▶ In general, you can only deduct expenses that you incurred while you were renting your property. However, certain pre-letting expenses such as advertising, auctioneers and legal fees incurred in connection with the letting of the property can be taken as a deduction
- ▶ If only part of a property is rented then only the portion of the expense relevant to the part that is rented may be deducted
- ▶ You may also need to register your tenancies with the Residential Tenancies Board ("RTB") to claim mortgage interest relief. Further information in relation to the requirement to register tenancies with the RTB is available at **[www.prtb.ie](http://www.prtb.ie)** or by contacting the RTB on 0818 30 30 37 or **[registrations@prtb.ie](mailto:registrations@prtb.ie)**

# Sample computation 1

Sarah owns a 1 bedroom house in Dublin. She is currently living in London and is renting her house in Dublin throughout 2015. The total gross rent received for 2015 was €7,000.

Sarah incurred the following expenses in 2015 in respect of the house:

- ▶ Insurance of €300,
- ▶ Mortgage interest of €5,000,
- ▶ Local Property Tax of €350,
- ▶ Light and heat of €1,200, and
- ▶ Repairs of €200 for damage to the kitchen.

When calculating net taxable rental income, Sarah can deduct allowable expenses.

Sarah's rental computation		€	€
Gross rental income			7,000
Less allowable expenses:			
Insurance	300		
Mortgage interest <sup>Note 1</sup>	3,750		
Light and heat	1,200		
Repairs	200	(5,450)	
Net taxable rental income			€1,550

**Note 1** Only 75% of the mortgage interest incurred is allowed as a deduction. Sarah must contact the Residential Tenancies Board to register her tenancies in order to claim mortgage interest relief.

**Note 2** The Local Property Tax ("LPT") is not allowed as a deduction.

# Sample computation 2

Paul is renting a property in Dublin, Paul works in Dublin for a large employer called CBA Ltd. During 2015, a number of employees from CBA Ltd.'s UK subsidiary company were seconded to work in Dublin for a 2 month period. CBA Ltd. found it difficult to source appropriate accommodation for some of the seconded employees. The company offered to pay Paul €4,000 in total for use of his spare room for 2 months. Paul confirmed with his landlord that he could sub-let the room.

The house measures 1,200ft<sup>2</sup>. The room Paul sub-let measures 300ft<sup>2</sup>. Paul incurred the following expenses in 2015 in respect of the rented house:

- ▶ Rent of €14,100 for all of 2015,

▶ Content insurance of €300 for all of 2015,
- ▶ Light and heat of €2,200 for all of 2015, and

▶ Repairs of €200 for damage to the spare room.

When calculating net taxable rental income, Paul can deduct allowable expense which relate to the room he is sub-letting. Where an expense is incurred and it relates to the entire house Paul needs to calculate the portion of the expense that relates to the sub-let room on a just and reasonable basis, e.g. apportion based on the square footage of the sub-let room and the house.

Paul's rental computation	€	€
Gross rental income		4,000
Less allowable expenses:		
Rent <sup>Note1</sup>	587.50	
Content insurance <sup>Note2</sup>	12.50	
Light and heat <sup>Note3</sup>	91.67	
Repairs <sup>Note4</sup>	200	(891.67)
Net taxable rental income		€3,108.33

## Sample computation 2 continued

**Note 1** Only the part of the expense relating to the room that was sub-let during the period it was sub-let can be taken as a deduction, as follows:  $\text{€}14,100 / 12 \text{ months} * 2 \text{ months} = \text{€}2,350$ .  $\text{€}2,350 / 1,200\text{ft}^2 * 300\text{ft}^2 = \text{€}587.50$

**Note 2** Only the part of the expense relating to the room that was sub-let during the period it was sub-let can be taken as a deduction, as follows:  $\text{€}300 / 12 \text{ months} * 2 \text{ months} = \text{€}50$ .  $\text{€}50 / 1,200\text{ft}^2 * 300\text{ft}^2 = \text{€}12.50$

**Note 3** Only the part of the expense relating to the room that was sub-let during the period it was sub-let can be taken as a deduction, as follows:  $\text{€}2,200 / 12 \text{ months} * 2 \text{ months} = \text{€}366.67$ .  $\text{€}366.67 / 1,200\text{ft}^2 * 300\text{ft}^2 = \text{€}91.67$

**Note 4** The repairs relate to the room that is sub-let so the full expense can be taken as a deduction



## Trading income

In certain circumstances, income from the provision of accommodation may be considered as trading income rather than rental income, e.g. where you are operating a guesthouse / bed & breakfast type service. In order to confirm whether the income is to be regarded as trading income first you must consider whether or not you are carrying on a trade. A trade is not clearly defined in Irish tax legislation. Instead, in determining whether a trade exists reference must be made to case law and to the 'badges of trade' which are commonly used to determine whether a trade is being carried on. The specific facts and circumstances of each case need to be reviewed to make the determination.

## Capital Gains Tax

Property owners who sell their property need to consider whether any Capital Gains Tax ("CGT") arises on that sale. CGT is a tax which is payable on a gain arising on the disposal of an asset. For example, if you bought your property for €100,000 and sell it for €120,000, you may be liable for CGT on the gain of €20,000.

In general, Principal Private Residence relief (PPR relief) provides for relief from CGT on the sale of a property (or part of a property) when it has been occupied by an individual as his/her sole or main residence throughout the period of ownership, subject to certain conditions.

Where the owner only occupied the property as their sole or main residence for some of the period of ownership, only partial PPR relief may be due. The last 12 months of ownership is automatically deemed to be a period of occupancy. The gain is deemed to accrue evenly throughout the entire period of ownership and only the portion of the gain that relates to and is relevant to the period of owner-occupation can be relieved from CGT. There are certain exceptions to this rule, for example where the property owner is required to move abroad for work purposes.

Using the example above again, a property is purchased for €100,000 and sold 10 years later for €120,000 at a gain of €20,000. The owner occupied the property as their sole or main residence for the last 6 years out of the 10 years of ownership. The gain is deemed to accrue at a rate of €2,000 per year ( $€20,000/10$ ). PPR relief can be claimed on €12,000 of the gain ( $€2,000 \times 6$ ).

If a portion of the dwelling house was used exclusively for the purpose of a trade, business or profession, again only partial relief may be due and only the portion of the gain that relates to the qualifying part of the dwelling house (i.e. the part that was occupied as a principal private residence) can be relieved from CGT.

The CGT exemption is not restricted in respect of any period for which the vendor has availed of rent-a-room relief, i.e. where the conditions for rent-a-room relief are satisfied and the vendor has occupied the property as their sole or main residence throughout the period of ownership, the above capital gains tax exemption will still apply.

# Glossary of terms

<b>PAYE</b>	PAYE is Pay As You Earn. This is an income tax which is levied on employees at rates ranging from 20% - 40% depending on your level of earnings and personal circumstances, e.g., married, in a civil partnership, single, etc.
<b>USC</b>	USC is Universal Social Charge. This is an income tax which is levied at rates ranging from 1% - 8% in 2016 depending on your level of earnings.
<b>PRSI</b>	PRSI is Pay Related Social Insurance. This is a social security. PRSI paid by an employee is levied at a rate of 4%.
<b>RTB</b>	RTB is the Residential Tenancies Board in Ireland. Landlords are required to register tenancies with the RTB. Certain lettings may be exempt. Further information in relation to the requirement to register tenancies with the PRTB is available at <a href="http://www.prtb.ie">www.prtb.ie</a> or by contacting the PRTB on 0818 30 30 37 or <a href="mailto:registrations@prtb.ie">registrations@prtb.ie</a> .
<b>PAYE income</b>	PAYE income is employment income which has been subject to PAYE, USC and PRSI at source (i.e. when it is paid).
<b>Non-PAYE income</b>	Non-PAYE income is income which has not been subject to PAYE, USC and PRSI at source, e.g., rental income, dividend income, interest income, trading income, etc.

# Glossary of terms continued

## **RARR**

RARR - RARR is rent-a-room relief. Rent-a-room relief provides an income tax exemption (including USC and PRSI) for rents received in a tax year, where certain conditions are satisfied.

In February 2015, the Revenue issued their interpretation of Rent-A-Room Relief in a guidance note that confirmed “Income from the provision of accommodation to occasional visitors for short periods, including, for example, where the accommodation is provided through online accommodation booking sites, does not qualify for relief as the visitors use the accommodation as guest accommodation rather than for residential purposes”.

Revenue’s interpretation has been questioned by some tax experts, however each individual’s personal circumstances must be reviewed on a case by case basis to determine whether the relief is applicable.

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