

*This guide has been prepared by an independent third-party accounting firm and reviewed and updated by an independent third-party law firm.*

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## **IRELAND – TAX CONSIDERATIONS ON SHORT-TERM LETS**

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Ireland.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Ireland, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Income taxes
- Value added tax (VAT)

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

### **INCOME TAX**

When an individual earns income in Ireland, it is likely that they will be required to pay a percentage of tax on this income to the Irish Revenue. Below is a brief outline of tax that may arise on income earned from short-term lets in Ireland and some information on how this tax can be paid to the Irish Revenue.

**Ireland's tax year** runs from 1 January to 31 December.

## **Coming within the charge to income tax in Ireland**

Irish source income, such as Irish rental income, will always be subject to Irish income tax whether you are Irish tax resident or not. Irish resident individuals may be able to use Irish tax credits to offset against their income.

If you are 65 years or older, certain exemption limits apply where no tax is payable. If you are single the overall income limit is €18,000, and €36,000 for people who are married or in a civil partnership.

## **Reporting tax in Ireland**

You are required to file a tax return with Revenue by either filing a Form 12 or a Form 11.

**Form 12** - If you have employment income (PAYE income) and other non-PAYE income not exceeding certain limits, it can be arranged with Revenue to have tax due on the non-PAYE income collected through your annual tax credits. Where this arrangement has been made with Revenue, you can file a Form 12.

A Form 12 can be submitted in paper or electronic form. If you are using an eForm 12 you must have a MyAccount with Revenue in order to file this return online.

**Form 11** - If you do not file a Form 12, you are required to file a Form 11. To do so you must register for income tax with Revenue On-line Services (ROS) which is available through Revenue's [website](#). A Form 11 can only be filed online through ROS.

It is important to note that if you are registered for income tax you are required to pay preliminary tax. Preliminary tax is an estimate of the tax that you expect to pay in the following tax year.

For example, when submitting your 2022 tax return in October 2023, you are required to pay the balance of tax due for 2022. In addition to this you are required to pay an estimate of the tax arising in the next tax year (2023).

The preliminary tax you pay for 2023 will be credited against your final 2023 liability.

Please note that where there is a third party (e.g. rental platforms, agents, property managers) involved in any part of the letting of property in Ireland (e.g. online booking platform, property management), they have a filing requirement to declare any payments relating to such managed premises to the Irish Revenue.

## **Reporting tax - filing deadline**

The deadline for filing paper returns and paying the associated tax liabilities is 31 October in the year following the tax year, e.g., for tax year 2022 the deadline is 31 October 2023.

If you file your tax return and pay your liability online via ROS you can make use of the extended deadline offered by Revenue which usually falls in the second week of November. Revenue confirms this date during each tax year and it can usually be found on the Revenue website. For example, the extended deadline for paying and filing your tax return for the 2021 tax year was 16 November 2022.

### **Ireland Tax Authority contact details**

Irish Revenue Commissioners website: [www.revenue.ie](http://www.revenue.ie)

“Contact us” on the Revenue website will direct you to the specific tax office of the area you require within Revenue. All you need is your PPS number. If you are not an Irish resident you will be facilitated here also.

You can also contact Revenue through MyEnquiries, Revenue’s email service, which you can find on your myAccount facility on the Revenue website (the first time you log in to myAccount you will be required to register).

### **Irish income tax rates**

The lower rate of income tax in Ireland is 20%. The marginal or higher rate of income tax is 40%. Depending on your circumstances the levels of income vary for each rate, e.g., if you are married.

Universal Social Charge (USC), an additional tax, and PRSI (social insurance charges) may also apply at various rates depending on your level of income.

### **Ireland specific rules applicable to income earned in relation to short-term lets**

Income earned through short-term lets in Ireland is not considered to be rental income. This type of income is taxable as either trading income (Schedule D Case I) or miscellaneous income (Schedule D Case IV) and is subject to Irish income tax.

This income must be declared in your Irish tax return under the appropriate income reference. Where the income received is not considered to be trading income it then becomes, by default, miscellaneous income (under Schedule D Case IV).

As a broad rule, your income would be considered trading income if the property/room would be

expected to be available for rent on a frequent and regular basis (rather than a once-off or occasional basis), with a view to the realisation of profit. Where you are unsure if the income you earn is trading income, additional professional tax advice should be sought.

Please see a link to Revenue guidance providing further information in relation to the above:

<https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-04/04-01-20.pdf>

### **Typical expenses that can be deducted from an individual's income in relation to short-term lets**

Where income is deemed to be trading income under Schedule D Case I, a deduction will be available for expenses which have been wholly and exclusively laid out for the purposes of the trade. This can include, but is not limited to:

- Insurance premiums
- Maintenance costs - e.g., cleaning, painting
- Repairs carried out on the property
- Cost of goods or services that you have provided - e.g., gas, electricity
- Management costs - e.g., property management fees
- Advertising fees or online commission payments
- Pre-trading expenditure incurred up to three years prior to the commencement of the trade

Where income is non-trading income under Schedule D Case IV, a deduction is available for costs directly incurred for the provision of the short-term let. This can include, but is not limited to:

- Advertising fees or online commission payments
- Cleaning fees
- Cost of food provided to guests
- Reasonable apportionment of utilities - e.g., gas, heating, electricity

### **Special reliefs from income tax in Ireland of which an individual providing short-term lets may be able to avail**

Where you rent a room in your own home, you could potentially benefit from rent a room relief. This relief potentially exempts non-trading (ie, Case IV) income received from renting a room from income tax, up to a limit of €14,000.

Please note from 1 January 2019, in order to qualify for the relief, the letting period must be for

a minimum of 28 consecutive days. This may exclude most short-term rental accommodations from qualifying.

### **Deductions available for tax depreciation (e.g. capital allowances / wear and tear)**

Trading income - you may claim capital allowances at a rate of 12.5% over 8 years on capital items such as fixtures and fittings.

Non-trading income – capital allowances are not available.

### **Irish income tax obligation for non-resident individuals**

Irish rental income is considered Irish source income. If you are non-resident you are chargeable to Irish taxes (as outlined above, and applying the Irish Revenue guidance referred to above) on income earned on Irish short-term lets.

For more information regarding your tax residency status, please follow this [link](#).

### **Irish income tax obligations for an Irish individual in receipt of foreign rental income**

If you are tax resident and domiciled in Ireland you are chargeable to Irish income tax on your worldwide income. Therefore, foreign rental income would be taxable in Ireland in this case.

If you are tax resident in Ireland and domiciled outside of Ireland, you would be subject to Irish tax on any part of the foreign rental income you bring into (remit to) Ireland.

If you are not Irish resident but are Irish domiciled, you would be subject to Irish tax on your worldwide income with exceptions for foreign income up to €3,810.

Note: This income would likely be taxable in the other country also and you would need to understand the tax implications in this country. If this is a country with which Ireland has a double taxation agreement, it may be possible to get relief for any double taxation arising.

### **General property taxes payable**

Local property tax (LPT) is an annual tax charged on the market value of residential properties in Ireland.

Property values are organised in valuation bands and an LPT rate is assigned to each band. The amount of LPT payable depends on the value you declare for the property.

Unfortunately, LPT is not a tax deductible expense when calculating your net income.

## Capital taxes in Ireland

Capital gains tax (CGT) arises on the uplift/gain realised on the sale of a property in Ireland. The current rate of CGT is 33%.

For disposals made between 1 January and 30 November CGT is payable on or before 15 December of the year of sale. Where a property is disposed of in December, the due date for CGT is 31 January in the following year.

Sample Tax Computation			
Laura owns a 2 bedroom house in Dublin. Her spare room is available to rent on the weekends.			
<p><b>Scenario 1:</b> Laura's room is always available to rent (while she might only rent it 20 weekends a year). As such, her income is deemed to be trading.</p> <ul style="list-style-type: none"> <li>Laura received total gross rent in 2022 of €6,000.</li> <li>Laura incurred the following expenses in relation to this house in 2022: local property tax €350, online commission payments €240 and electricity/gas €600.</li> </ul>			
<p><b>Scenario 2:</b> Laura only advertises and rents her room on occasional weekends. In total she rents her room for 4 weekends in the year. Her income is deemed to be miscellaneous income.</p> <ul style="list-style-type: none"> <li>Laura received total gross rent in 2022 of €1,600.</li> <li>Laura incurred the following expenses in relation to this house in 2022: local property tax €350, online commission payments €240 and electricity/gas €600.</li> </ul>			
		Scenario 1	Scenario 2
		€	€
Gross rental income		6,000	1,600
<i>Less allowable expenses:</i>			
	Online commission payment	(240)	(240)
	Electricity/gas	(600)	(13)*
<b>Net taxable rental income</b>		<b>5,160</b>	<b>1,347</b>
** Local property tax is not an			

<i>allowable deduction</i>		
<i>* Apportionment can be done on a reasonable days basis i.e., 2 days a weekend x 4 weekends = 8 days / 365 days a year * €600 = €13.</i>		
<i>Note: Scenario 1/Scenario 2 calculation would also be relevant where you rent an entire house for short-term accommodation purposes, subject to the same trading/miscellaneous income rules as outlined above.</i>		

## **VALUE ADDED TAX**

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Ireland is a tax on consumption. Most goods and services supplied in Ireland are subject to VAT.

A person who supplies goods and/or services in Ireland may have to charge VAT and pay this to the Irish tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Ireland.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Irish tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

### **Do I need to collect any VAT from guests if I am letting accommodation in Ireland?**

In general, individuals who are considered to be in business in Ireland need to charge VAT on their supplies once they meet the criteria for VAT registration. Whether a person will be considered to be in business for VAT purposes depends on the circumstances of each case. As a general rule an individual letting accommodation on a continuous basis will be considered to be in business.

Currently, in Ireland, you are required to register for VAT if you supply or expect to supply

services to the value of €37,500 in any continuous period of twelve months. This threshold increases to €75,000 for the supply of goods. As such, where you supply guest or holiday accommodation and you exceed the threshold of €37,500, you should register for VAT. In certain circumstances you may also elect to register for VAT where your supplies of services fall short of the threshold of €37,500.

Further, if you are in business for VAT purposes and receive services from non-Irish suppliers, you may also be obliged to become registered for Irish VAT and account for Irish VAT in respect of such services. No registration threshold applies in respect of the receipt of services from non-Irish suppliers.

If you are an individual who is not resident in Ireland, but your accommodation is located in Ireland, then you should consider whether you are obliged to register for Irish VAT, as no registration threshold applies to you either.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Irish VAT.

For further guidance on registering for VAT, please see Revenue's website:

<https://www.revenue.ie/en/vat/vat-registration/how-do-you-register-for-vat/index.aspx>

### **VAT applies to me. How do I determine how much tax I need to collect from my guests?**

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the Irish VAT rate applicable to supplies of guest and holiday accommodation to guests in Ireland is 9% until 28 February 2023 (due to a Covid-19 relief measure which has been extended). Normally however, the 13.5% VAT rate is applicable to supplies of guest and holiday accommodation in Ireland. In contrast, residential lettings which are not supplies of guest and holiday accommodation are exempt from VAT. Historically, there was a distinction made between a short-term letting for VAT purposes and a residential letting. Short-term lettings were broadly lettings for a duration of 8 weeks or less. However, the concept of short-term lettings has now been replaced with the concept of supplies of guest and holiday accommodation. Irish tax authorities have provided guidance defining the provision of guest or holiday accommodation as involving the 'active exploitation' of property which typically also involves some additional service element being provided to guests for example, housekeeping, dining or reception services. You should carefully consider if your supplies are subject to VAT. For further guidance on this point, please see Revenue's website:



<https://www.revenue.ie/en/tax-professionals/tdm/value-added-tax/part03-taxable-transactions-goods-ica-services/Services/services-guest-and-holiday-accommodation.pdf>

There are other VAT rates currently in force in Ireland applicable to various different supplies. We recommend that you confirm with a local tax adviser the VAT rate applicable to your supplies. The Irish tax authorities provide a useful database that can be used to check VAT rates applicable to certain goods/ services. For further guidance on this please see Revenue's website:

<https://www.revenue.ie/en/vat/vat-rates/search-vat-rates/VAT-rates-database.aspx>

### **VAT applies to me. How do I collect VAT from guests?**

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return (VAT3 return). In Ireland, the VAT3 return typically covers a bi-monthly period (e.g., January-February) and is required to be filed by the 23rd of the month following that bi-monthly period (e.g., the January-February VAT3 return due to be filed by the 23rd of March). The VAT payment is required to be made on the same day that the VAT3 return is required to be filed.

The file and payment process is all carried out online, via Revenue's Online Service. Please find guidance on how to register with Revenue's Online Service [here](#).

Based on the VAT rules and regulations in Ireland, the pricing for your supplies of accommodation to private individuals (B2C) should include the amount of VAT due on those supplies.

For supplies of accommodation made by you to other VAT taxable persons (e.g., a company), the VAT rules and regulations in Ireland require you to charge VAT and make a clear distinction in your pricing between the price of the accommodation and the amount of VAT arising.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.