# KINGSGROVE ACCOUNTING

# Rent-to-Rent / Airbnb Operator

## Tax Fact Sheet (UK)

**Prepared for clients – Guidance version**

### 1. CORE PRINCIPLE

Expenses are deductible only if they are wholly and exclusively for the business. Where there is any personal use, the expense must be apportioned.

### 2. BUSINESS MODEL

This guide is for limited companies that rent properties from landlords and sublet them as serviced accommodation, holiday lets or via platforms such as Airbnb and Booking.com.

### 3. TYPICAL BUSINESS EXPENSES YOU CAN USUALLY CLAIM

#### PROPERTY COSTS

- Rent paid to landlords
- Utilities (gas, electricity, water)
- Council Tax (where payable)
- Broadband / Wi-Fi
- TV licence
- Service charges (where applicable)

#### GUEST COSTS

- Cleaning between stays
- Laundry services
- Bedding and towels
- Toiletries, tea, coffee & welcome packs
- Kitchen consumables

#### BOOKING & MANAGEMENT

- Airbnb fees, Booking.com commissions
- Channel manager software
- Property management software
- Smart lock subscriptions

#### BUSINESS RUNNING COSTS

- Accountancy fees
- Office supplies
- Bank charges
- Advertising & marketing
- Insurance
- Telephone / internet
- Merchant fees
- Photography

#### STAFF & CONTRACTORS

- Cleaners
- Maintenance contractors
- Virtual assistants
- Property managers
- Administration staff

#### TRAVEL

Business travel between properties, meetings and supdliers can normally be claimed.
Travel between your home and a permanent workplace is usually not allowable.
Keep mileage records or receipts.

### 4. CAPITAL EXPENDITURE – HOW IS IT ACCOUNTED FOR?

Capital expenditure is money spent on purchasing, creating or significantly improving an asset that will benefit the business over a number of years.

It is not usually charged straight to your Profit & Loss Account. Instead, it is recorded as an asset on your company's Balance Sheet.

#### HOW DOES YOUR COMPANY RECEIVE TAX RELIEF?

Although capital expenditure is accounted for differently, this does not mean you lose the tax relief. The way relief is given depends on the type of asset purchased.

#### FURNITURE, EQUIPMENT & APPLIANCES

Items such as beds, sofas, tables, white goods, televisions, appliances and office equipment are generally classed as plant and machinery. These items may qualify for 100% Corporation Tax relief in the year of purchase through the Annual Investment Allowance (AIA) or Full Expensing (subject to current tax rules and qualifying conditions).

#### BUILDING IMPROVEMENTS

Expenditure that improves or alters the building itself – such as extensions, structural alterations, loft conversions, new layouts or luxury upgrades – is also capital expenditure. These costs do not usually qualify for immediate tax relief and are instead retained on the Balance Sheet. Tax relief may only become available if qualifying fixtures are installed or when the property interest is eventually disposed of.

#### DEPRECIATION

For accounting purposes, capital assets are normally depreciated over their expected useful life. This spreads the cost across several accounting periods. However, depreciation is not deductible when calculating Corporation Tax. Instead, HMRC provides tax relief through the capital allowances system where applicable.

#### EXAMPLE

**Accounting treatment**

- Your company spends £8,000 furnishing a new serviced accommodation property.
- The £8,000 is recorded as a fixed asset on the Balance Sheet.
- The furniture is depreciated over its expected useful life.

**Tax treatment**

- If the furniture qualifies for the Annual Investment Allowance or Full Expensing, the company may be able to claim 100% Corporation Tax relief in the year of purchase, even though it remains a capital asset in the accounts.

#### A SIMPLE WAY TO THINK ABOUT IT

**DAY-TO-DAY RUNNING COST?**

Record it as an expense in the Profit & Loss Account.
The business usually receives an immediate tax deduction.

OR

**CREATE OR IMPROVE A LONG-TERM ASSET?**

Record it as a fixed asset on the Balance Sheet.
The business may still receive tax relief through capital allowances, depending on the type of expenditure.

If you are planning a significant purchase or refurbishment, please speak to us first. This ensures the expenditure is recorded correctly and that your company claims all available tax reliefs.

### 5. REPAIRS VS IMPROVEMENTS – KEY TEST

**REPAIR**

Restoring to original condition.
Normally allowable.

- Fixing a leak
- Repairing damaged flooring
- Replacing broken locks
- Decorating after wear & tear
- Replacing kitchen like-for-like

**IMPROVEMENT**

Better than original condition.
Usually capital.

- Luxury kitchen upgrade
- Converting a garage into bedroom
- Installing air conditioning
- Structural alterations
- Creating additional bathrooms

### 6. EXAMPLES – COMMON COSTS

| EXPENSE | TYPICAL TAX TREATMENT |
|---|---|
| Monthly rent | Allowable |
| Airbnb / booking platform fees | Allowable |
| Cleaner invoices | Allowable |
| Utliity bills | Allowable |
| Replacing damaged bedding | Allowable |
| Replacing worn sofa (similar) | Allowable |
| Furnishing a brand-new property | Capital |
| Full refurbishment before first guests | Capital |
| Luxury upgrades | Capital |
| Building alterations / extensions | Capital |

### 7. COMMON HMRC RISK AREAS

- Claiming full refurb as repairs
- Claiming first-time furniture as expense
- Failing to separate business and personal use
- Insufficient records or missing receipts
- Mixing personal and business purchasss
- Not asking your accountant before major work

### 8. QUICK SUMMARY

**REVENUE (ALLOWABLE):**
rent, cleaning, utilities, repairs, marketing, platform fees, staff, insurance, admin

**CAPITAL (NOT IMMEDIATE):**
refurbishments, upgrades, initial furnishing, structural alterations

### 9. ACCOUNTANT TIP

Maintain three ledgers: operating costs, overheads and capital projects. This ensures compliance, improves decision making and reduces HMRC enquiry risk.

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