

A detailed “fact find” was carried out including analysis of the Airbnb letting statements.

The problem

Mrs Q had built up a portfolio of buy to let residential properties. Given the location of some of the properties, significant rental income was being achieved by short term lettings through Airbnb. Mrs Q was concerned that her income tax liabilities would significantly increase over the coming years and had been advised to transfer her portfolio of properties to a limited company.

The solution

A detailed “fact find” was carried out including analysis of the Airbnb letting statements. Whilst a transfer to a limited company would have helped to minimise the tax liabilities in future years, a better solution was to leave the ownership of the properties unchanged other than to switch some properties into joint names with Mr Q. The outcomes were:

1. Due to the precise nature of the Airbnb lettings, it was established that the Airbnb properties were Furnished Holiday Lettings and as such, qualified for certain preferential tax treatments.
 - a) No restriction on tax relief for loan interest – tax savings of £40,000 per year.
 - b) Capital allowances on integral fittings – total tax savings of £450,000 over 5 years.
 - c) Potential for 10% CGT on eventual sale of properties.
2. Able to retain existing mortgage arrangements on preferential terms saving £30,000 per year of loan interest costs.
3. As short term lettings are chargeable to VAT, the ownership arrangements had to be revised to keep the rental income below £85,000 per annum per owner – savings of £20,000 per year.

The client said

“Wilson Partners took away all the complexity I had been struggling with and came up with a unique solution for me which saved me substantial amounts of tax.”

We said

“We enjoy finding solutions to our client’s problems – the “fact find” is nearly always the key to the solution. Invariably, the tax flows out of the facts and once we had our hands on the facts, the solution was an application of our tax knowledge and experience to those facts to find the optimum solution for Mrs Q. Savings of between £700,000 and £800,000 over 5 years is a decent result.”

Alan Ross, Tax Director,
Wilson Partners