

These notes refer to the Income Tax (Trading and Other Income) Act 2005 (c.5) which received Royal Assent on 24 March 2005

INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 7: Income charged under this Act: rent-a-room and foster-care relief

Chapter 1: Rent-a-room relief

Section 793: Full rent-a-room relief: property income

2959. This section provides for full relief when the rent-a-room income is property income. It is based on paragraph 9 of Schedule 10 to F(No 2)A 1992.
2960. *Subsection (3)* states explicitly what is merely implicit in the source legislation. That is, in calculating the profits of a property business, no capital allowances or balancing charges are to be made in respect of rent-a-room related assets.
2961. This form of the rule is needed because the rent-a-room letting may be part of a property business comprising other lettings. Tax under Part 3 of this Act is charged on the profits of a UK property business, which may include activities other than rent-a-room lettings. Section 793 cannot treat the profits of the whole UK property business as nil, but instead expressly excludes all amounts relating to rent-a-room activities from the calculation of the profits of the UK property business. Those amounts include capital allowances and balancing charges which relate to rent-a-room lettings and, accordingly, section 793(3) excludes them.