

TWO NEW TAX-FREE ALLOWANCES INTRODUCED

Stating that this was a Budget 'for the digital age', Chancellor George Osborne has announced new tax reliefs for individuals using online services such as eBay and Airbnb to earn income in the fast-growing 'sharing economy'.

There will be a £1,000 tax-free allowance for trading income (selling goods or providing services) and another £1,000 allowance for property income.

The rapid growth of the digital economy means it is becoming easier for more and more people to become 'micro-entrepreneurs'. However, for those only making small amounts of income from trading or property, the current tax rules can seem daunting and complex, with a high likelihood of falling foul of current tax rules. The new legislation will mean that individuals with property or trading income below £1,000 will not need to submit tax returns. The new reliefs will come into force from April 2017 with the aim of having fewer people in the system ahead of the tax return going 'digital'.

Individuals with trading or property Income over £1,000 will have the choice of calculating their profits in the normal way (deducting the relevant expenses) or they can choose to deduct the £1,000 allowance, in the same way as under rent-a-room.

Whilst this is the second tax break in a row for Airbnb landlords, who were offered an increase in the rent-a-room relief from £4,250 to £7,500 per year, some Landlords have perceived the Chancellor as sending mixed messages through the taxation system. The £1,000 tax free allowance on property income will be cancelled out for many by the 2015 Budget's cut in tax relief on mortgage interest from 40% to 20%, which is also due to be introduced in April 2017.

