



## **New “IRS” Annex for Local Lodging**

In 2018, Local Lodging (“AL”) will have a specific “IRS” annex associated with the holiday letting activity. This amendment was introduced in the 2017 State Budget, but its application will only take effect next year. As part of the change, operators may choose to have Local Lodging income assessed either under the rules of Category B (short-term lets) or those of Category F (long-term rentals).

Until 2016, for operators earning less than €200,000 per annum, only 15% of gross “AL” income was taken into account to determine income tax to be assessed under the Simplified Regime. The remaining 85% was exempt, falling generically into the category of deductible expenditures.

With the 2017 State Budget, 35% of “AL” income becomes taxable. However, taxpayers now have the option to be taxed under Category F rules (long-term rentals), in which owners may deduct all legitimate documented expenses rather than take a general exclusion. For example, Category F rules may prove advantageous in a year where there is major refurbishing in the holiday letting property.

In either case, owners will still not be able to deduct any finance charges related to borrowing for the purchase of the property, appliances or fittings.

In both situations - Local Lodging under Category B or Category F rules - the taxpayer will always be classified as exercising a business activity and will need to use the new, yet-to-be-issued annex.