

ABEL ON PROPERTY



Serviced Accommodation — the tax rules that matter

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A WORD FROM HARISH & AWAIS JAWAID

Serviced accommodation — holiday lets, short stays, rooms for travelling workers — has become one of the most popular ways landlords earn from property. The income can be handsome. The work is real. And the tax rules are different from ordinary letting in ways that catch people out.

In forty years as a chartered accountant I have watched good landlords stumble here — not through dishonesty, but through not knowing. This short book sets out, in plain English, how the tax treatment differs, what you can claim, and the records that keep you safe.

One important note: the special tax regime for furnished holiday lets ended in April 2025. Short-stay income is now taxed under the normal property rules — which makes getting the basics right more important, not less.

Tax rules change, and every landlord's position is different. This book is general guidance, not personal advice — please take advice for your own situation.

1. What “serviced accommodation” really means

Serviced accommodation means letting property by the night or the week — holiday lets, short stays for workers, rooms booked through the big platforms. Your customers are guests, not tenants.

That one difference changes everything: the income pattern, the costs, and the tax paperwork. A guest who stays three nights is not the same business as a tenant who stays three years.

It also changes your legal duties — safety checks, insurance, and telling your mortgage lender and insurer what you are doing. Get those right first; the tax follows the facts.

2. How the tax differs from long-term letting

The starting point is the same: your letting income, minus your allowable costs, is your profit — and you pay tax on the profit.

Where it differs is in the shape of the business. Serviced accommodation usually means higher income per night but lower occupancy, and much higher running costs — cleaning, laundry, utilities, welcome packs, platform fees. Your profit lives in the gap between the two.

Until April 2025 there was a special tax regime for furnished holiday lets, with its own perks. That regime has now ended, and short-stay income sits under the normal property income rules. If anyone tells you the old perks still apply, they are out of date.

One more difference to watch: if your turnover grows, VAT can come into play. Most small operators stay well clear of it — but know where the line is, and keep an eye on it as you grow.

3. What you can claim: the everyday costs

You can claim the genuine costs of running the business. For serviced accommodation the list is longer than for a standard let — and that is good news, because every allowable cost reduces your taxable profit.

Think in groups: getting guests in (platform fees, advertising, photography); looking after them (cleaning, laundry, toiletries, welcome supplies, wifi); running the property (utilities, council tax, insurance, repairs, gardening); and the money side (accountancy fees, and mortgage interest — though the relief on mortgage interest is restricted to the basic rate, a rule worth knowing).

Furnishings and equipment count too — beds, sofas, kitchenware, the things guests use and wear out. Keep the receipts. “Roughly” is not a number HMRC accepts.

What you cannot claim is personal. If you stay in the property yourself for two weeks in August, those two weeks’ costs are yours, not the business’s. Keep personal use clearly separate — in the diary and in the accounts.



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4. Records that keep you safe

Here is the rule I give every serviced-accommodation client: if it is not written down, it did not happen. Good records are the cheapest insurance in this business.

Keep a separate bank account for the letting. Log every booking — dates, guest numbers, amounts received. Photograph or file every receipt the day it happens, not in January.

And know about Making Tax Digital. From 6 April 2026, landlords with qualifying income over £50,000 must keep digital records and send quarterly updates to HMRC. Serviced accommodation income counts towards that. If that is you, the shoebox of receipts has to go — and we can help you set it up properly.

Good records do more than keep HMRC happy. They tell you which property earns, which nights pay, and where the money leaks. That is management information, and it is gold.

5. The traps I see again and again

In forty years I have seen the same mistakes repeat. Here are the ones that cost serviced-accommodation landlords the most.

First: forgetting that platform income counts in full. The platform sends you the money after taking its fee — but you are taxed on the full amount the guest paid, and you claim the fee as a cost. Get this backwards and you underpay.

Second: cash payments with no record. Paying a cleaner in cash with no receipt means no claim and no proof. Bank transfer, invoice, done.

Third: not telling the lender and insurer. A residential mortgage and a standard landlord policy may not cover short-stay guests. If something goes wrong and they did not know, you can be uncovered — and that dwarfs any tax bill.

Fourth: mixing personal and business so thoroughly that no one — including you — can tell them apart. The diary is the answer. Write it down.



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6. Making it pay: know your numbers

Serviced accommodation is a business, so run it like one. Know your three numbers: what a night sells for, how many nights you fill, and what each night costs you.

Price honestly, watch your occupancy across the seasons, and review your costs every quarter — cleaning, utilities and platform fees creep up silently.

Do that, keep clean records, claim everything you are entitled to, and serviced accommodation can be one of the most rewarding corners of the property world. It rewards the landlord who pays attention. Be that landlord.

What to do next

If anything in this book has made you think about your own properties,
don't leave it as a thought. A short conversation now can save you
real money later — and it costs nothing to start.

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We look after landlords across Surrey, Middlesex and West London — and we would be glad to look after you.

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the same.”**

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