
STATUTORY INSTRUMENTS

2011 No. 1037

The Enactment of Extra-Statutory Concessions Order 2011

Wear and tear allowance

- 11.**—(1) The Income Tax (Trading and Other Income) Act 2005(1) is amended as follows.
(2) After section 308 (furnished lettings) insert—

“Furnished accommodation: wear and tear allowance

308A Wear and tear allowance election

- (1) Where—
- (a) a person (“P”) carries on a property business in a tax year which consists of or includes a furnished letting, and
 - (b) a dwelling-house that is subject to the letting is eligible in relation to P at any time in the year,

P may make an election (a “wear and tear allowance election”) in relation to the business for the year.

(2) A wear and tear allowance election for a tax year must be made on or before the first anniversary of the normal self-assessment filing date for the tax year.

(3) In this section and sections 308B and 308C, “furnished letting” means a furnished letting as defined in section 308 but does not include a commercial letting of furnished holiday accommodation (within the meaning of Chapter 6).

- (4) See—
- section 308B for the meaning of “eligible” in relation to a dwelling-house, and
 - section 308C for the effect of a wear and tear allowance election.

308B Meaning of “eligible” in relation to a dwelling-house

(1) A dwelling-house is “eligible” at any time in relation to a person (“P”) who carries on a property business in a tax year if, at that time—

- (a) the dwelling-house is subject to a furnished letting comprised in the business,
- (b) the dwelling-house contains sufficient furniture, furnishings and equipment for normal residential use, and
- (c) P is responsible for the state of affairs mentioned in paragraph (b).

(2) P is so responsible if—

- (a) any of the furniture, furnishings and equipment contained in the dwelling-house at the time mentioned in subsection (1) is provided by P,

- (b) that furniture, furnishings and equipment, together with any furniture, furnishings and equipment in the dwelling-house at that time provided by a superior landlord of P, is sufficient for normal residential use, and
 - (c) the conditions in paragraphs (a) and (b) are not met in relation to a superior landlord of P.
- (3) References in this section to a superior landlord of P are to any person who—
- (a) has an interest in the dwelling-house that is superior to that of P, and
 - (b) carries on a property business in the tax year that consists of or includes a furnished letting to which the dwelling-house is subject.

308C Effect of wear and tear allowance election

(1) This section applies where a person (“P”) makes a wear and tear allowance election that has effect in relation to a property business (“the property business”) for a tax year (“the tax year”).

- (2) In calculating the profits of the property business for the tax year—
- (a) a wear and tear allowance is allowed as a deduction, and
 - (b) no deduction is allowed—
 - (i) whether under section 68 or otherwise, for expenses incurred on replacing or altering any tool (within the meaning of subsection (3) of that section), so far as the expenses are within subsection (6), or
 - (ii) whether under section 308 or otherwise, for expenses incurred in connection with the provision of furniture, so far as the expenses are within subsection (6).
- (3) The amount of the wear and tear allowance is 10% of the relevant rental amount.
- (4) In subsection (3) “the relevant rental amount” means—
- (a) the sum of the amounts brought into account as receipts by P in calculating the profits of the property business, so far as the receipts are within subsection (6), less
 - (b) the sum of any amounts brought into account as relevant expenses by P in calculating the profits of the property business, so far as the expenses are within subsection (6).
- (5) In subsection (4)(b) “relevant expenses” means expenses in relation to utilities, council tax or anything else the cost of which is, in the case of a furnished letting, normally borne by the lessee.
- (6) Receipts or expenses are within this subsection so far as they are attributable to a dwelling-house that is subject to a furnished letting comprised in the property business, but disregarding any amounts that are so attributable in respect of a time at which the dwelling-house is not eligible in relation to P.
- (7) Receipts and expenses are to be attributed for the purposes of subsection (6) on a just and reasonable basis.

Furnished accommodation: rent-a-room relief

- (3) In section 327 (separate profit calculations), in subsection (2)(2), at the end of paragraph (b) insert—
- “, or

(2) Subsection (2) was amended by paragraphs 492 and 509 of Schedule 1 to the [Income Tax Act 2007 \(c. 3\)](#).

- (c) a wear and tear allowance is allowed in relation to the business under section 308C of this Act.”.