

HOLIDAY LETTINGS AND PROPERTY

The Furnished Holiday Lettings (FHLs) regime was abolished on 6 April 2025. What does the abolition mean for your holiday letting property?

The property will become part of either your main UK or overseas property business. This means that some of the beneficial tax rules that previously applied will no longer apply, such as:

- Tax relief for dwelling-related loan interest will be restricted to basic rate (20%).
- New capital expenditure will generally not qualify for capital allowances, Instead, the replacement of domestic items relief may apply.
- Capital Gains Tax reliefs for trading business assets (such as Business Asset Disposal Relief, Gift Relief and Rollover Relief) will no longer be available.
- Income from the property will no longer be included in 'relevant UK earnings' for the purposes of calculating maximum pension relief.

However, all is not lost! There are some transitional measures that you may benefit from:

- It will be possible to carry forward losses that were generated by an FHL business prior to 6 April 2025. These losses will be available for set off against future years' profits of either the UK or overseas property business, as appropriate.
- Where an FHL business had a capital allowances pool at 5 April 2025, the pool can be carried forward within the general property business. Going forwards, it will be possible to claim writing-down allowances on the pool.
- For Business Asset Disposal Relief (BADR), where the FHL conditions were satisfied in relation to a business that ceased prior to 6 April 2025, relief may continue to apply to a disposal that occurs within the normal 3-year period following cessation.

If your property previously qualified as an FHL and you have questions about the new tax treatment, please get in touch with us!