FURNISHED HOLIDAY LETTINGS TAX - FACTSHEET

1. To qualify as a furnished holiday letting for tax purposes, and be eligible for the additional benefits available, the property must:

- be in the UK or the EEA
- be available for public letting for at least 210 days per annum.
- be actually let for at least 105 days (or be eligible for the averaging or period of grace elections)
- not be occupied for more than 31 days consecutively by the same person and that person may not occupy the property for more than 155 days in a tax year.
- be let on a commercial basis.

2. Benefits include:

- profits are classed as relevant earnings for pension contributions
- furnished holiday lettings landlords are <u>not</u> subject to the new finance costs restrictions beginning April 2017
- the holiday property may qualify for Inheritance Tax Business Property Relief (if significant additional services are offered)
- capital allowances can be claimed on allowable furniture, fixtures and fittings, kitchen equipment etc. The Annual Investment Allowance of £200,000 gives 100% relief on such expenditure.
- the letting is treated as a trade; therefore, Capital Gains Tax Entrepreneurs Relief is available, subject to specific conditions being met. This relief reduces the Capital Gains Tax due on the profit on sale of the property to an effective rate of 10% (instead of the taxpayer's marginal rate of 18 or 28% flat rate).
- Business Asset Rollover Relief may be available for CGT purposes if a qualifying replacement asset is bought.
- hold-over (gift) relief may be available on transfers to family members

3. Allowable expenses include rates, insurance, heat & light, cleaning, laundry, managing agent fees, advertising, postage, repairs and maintenance. Interest on a loan to purchase the property (not capital repayments) is also allowed.

4. HM Revenue & Customs must be informed and Returns submitted for all the owners.

5. VAT may be a consideration particularly if the owner is registered already as another business.

6. Income will be split between joint owners equally or, provided no election has been made, where the furnished holiday letting business is carried on by both spouses/civil partners, the income is split in a ratio agreed between them, as if the furnished holiday let business was a genuine partnership.

7. Any profit will be taxed at the taxpayers' marginal rate of tax (20%/40%/45% for residents of England, Wales and Northern Ireland and 19%/20%/21%/41%/46% for residents of Scotland) depending on other income.

8. From April 2011, any losses arising from the business can only be carried forward and offset against future profits from the same furnished holiday letting business.

9. From April 2011, there are two separate types of furnished holiday letting business – a UK furnished holiday letting business for properties in the UK and an EEA business for properties in one or more EEA states. Losses cannot be offset between the two different types of business.

For further advice, please contact Gavin Minns, Peter Rasberry or Richard Dickson (King's Lynn):

30 Market Place	T: 01760 721728	KLIC	T: 01553 818090
Swaffham	F: 01760 725112	Innovation Way	F: 01760 725112
Norfolk	E: mail@clenshawminns.co.uk	King's Lynn	
PE37 7QH	W: www.clenshawminns.co.uk	Norfolk	
		PE30 5BY	