Clenshaw Minns
Chartered Accountants

FURNISHED HOLIDAY PROPERTY TAX - FACTSHEET

1. To qualify as furnished holiday lets for tax purposes, and take advantage of the additional benefits available, the property must:

   - be available for public letting for at least 210 days per annum.
   - be actually let for at least 105 days.
   - 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.
   - from April 2012, businesses meeting the actually let threshold in any year may elect to treat the two following years as also meeting the threshold (if the actually let threshold in those years is not met).

2. Benefits include:

   - the holiday property may qualify for Inheritance Tax business property relief.
   - capital allowances can be claimed on allowable furniture, fixtures and fittings, kitchen equipment etc. The Annual Investment Allowance of £500,000 (£200,000 from 1 January 2016) gives 100% relief on such expenditure.
   - the letting is treated as a trade, therefore Capital Gains Tax Entrepreneurs Relief may be available, subject to meeting the criteria. This relief reduces the Capital Gains Tax due on the profit on sale of any property to an effective rate of 10% (instead of the taxpayer's marginal rate of 18 or 28% flat rate).
   - roll-over 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. Although from April 2013 carpets, curtains and freestanding white goods cannot be claimed on the renewals basis and only capital allowances can be claimed.

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, if owned unequally, in that proportion. An election may be necessary.

7. Any profit will be taxed at the taxpayers' marginal rate of tax (20%/40%/45%) 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 furnished holiday letting businesses.

9. It is possible to raise capital from an already owned, let property, use this for any purpose and obtain tax relief on the interest paid against the rental income. This applies to any borrowings up to the cost of the let property at the time the business commenced.

10. 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 (European Economic Area) business for properties in one or more EEA states. Losses cannot be offset between the two different types of business.

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