

Important news from the Budget Announcements last week

The Chancellor yesterday announced that *“The Furnished Holiday Lettings (FHL) tax regime will be abolished from April 2025. Draft legislation is to be published and will include anti-forestalling measures that will apply from 6 March 2024.*

The effect of abolishing the rules will be that short-term furnished holiday lets and longer-term residential lets are treated the same for tax purposes and individuals will no longer need to report the two income streams separately.”

The government *“will remove the current incentive for landlords to offer short-term holiday lets rather than longer-term homes and level the playing field between short-term and long-term lets and support people to live in their local area”.*

Therefore, anyone who has properties reported in the FHL section of your return needs to act quickly to ensure all Capital Allowances are claimed before the Cliff Edge abolition date of 6th April 2025.

Summary Continued.....

The Government expanded on these changes with a published costing document, to confirm this includes: -

- The exemption from finance cost restriction rules
- The beneficial capital allowance rules
- The access to reliefs from Capital Gains Tax (CGT)
- The inclusion of relevant UK earnings when calculating maximum pension relief

Properties meeting the qualifying tests for FHLs are taxed under special rules and owners of such properties can access some specific tax benefits not available for other lettings, including:

- Entitlement to Capital Allowances (Plant & Machinery Allowances) on items of fixtures, furniture, furnishings, and equipment. The relief also allowed utilisation of the 100% AIA, for corporates, the 130% super-deduction or 100% full expensing for expenditure incurred on such items.
- Capital gains tax (CGT) reliefs for traders such as rollover relief and mitigating CGT on disposal properties.
- Finance and interest restrictions did not apply to loans and mortgages on FHL properties.

These measures are expected to raise over £600 million a year in total in 2028-29 for the treasury.

Contact Arthur Kemp at Exact Capital Allowances for help & advice

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