

## Furnished Holiday Lettings

In 2009 the last Government announced it was intending to change the tax rules which applied to the letting of furnished holiday properties so as to comply with EU law. This did not happen but the new Government has issued a consultation document outlining proposed changes which would be implemented in April 2011.

The proposals are as follows:

- the property must be situated in the UK or the European Economic Area
- the business must be carried on commercially and with a view to achieving a profit
- the property must be available for commercial letting as holiday accommodation to the public for at least 210 days each year. This is an increase from the current 140 days
- the property must be commercially let as holiday accommodation to members of the public for at least 105 days in each year. This is an increase from the current 70 days
- total periods of “longer term occupation” must not exceed 155 days in each year. “Longer term occupation” is letting to the same person for a continuous period of greater than 31 days
- losses incurred in a qualifying furnished holiday lettings business may only be set against profits from the same business. This is a new rule.

A UK furnished holiday lettings business will comprise all lettings of qualifying UK properties. A separate furnished holiday lettings business will comprise all qualifying properties in the European Economic Area. A loss in one business cannot be set against a profit in a different business.

The changes should not have a material effect on most owners of holiday properties. Properties which are so let are usually available all year, the main change is the need to increase the number of weeks let from 10 to 15.

Other reliefs, such as rollover relief, holdover relief, entrepreneurs relief, are all retained. Business Property Relief, whereby relief from Inheritance Tax may be available, is retained but this relief is not automatic and requires an element of “service” to be provided by the property owner.

The changes should feature in the 2011 Budget and start with effect from 1 April 2011 for companies and 6 April 2011 for individuals.

---

Please contact your usual Chavereys contact if you have any specific questions on the above.

*This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Chavereys, its partners, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.*

© 2010 Chavereys. All rights reserved