



## HMRC Issue Clarification of the New Furnished Holiday Let Tax Regime

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Following the announcement of the draft legislation to abolish the FHL tax regime in July 2024, HMRC provided a consultation period for taxpayers and their advisors to provide feedback on the new rules and seek clarification on how the new rules would be applied. Full details of the draft legislation can be found [here](#) on the GOV.UK website.

On 7 November 2024, HMRC published a policy paper to provide clarification on the common issues and questions that arose from the consultation. Fortunately, the policy paper did not include any surprises in terms of how the new legislation will be applied.

It did not, however, confirm if there will be any changes to the draft legislation or confirm that it will become law from 5<sup>th</sup> April 2025 (1<sup>st</sup> April 2025 for companies). We must, therefore, assume that the new legislation will be included within Finance Act 2025 and that there will be no changes to the legislation published in July 2024.

### The key points to be aware of are:

- ▲ No changes to VAT for holiday lets.
- ▲ Last date to incur capital expenditure and claim capital allowances will be 5<sup>th</sup> April 2025 (1<sup>st</sup> April 2025 for companies).
- ▲ Last chance to pool unclaimed capital allowances will be in 2024/25 tax return. This will theoretically mean that a claim for capital allowances can be made in an amended 2024/25 tax return until 31 January 2027. The deadline will be similar for companies but will depend on the company year end.
- ▲ FHL's commencing in 2024/25 tax year can still qualify as an FHL in 2024/25, even if they start part way through the tax year and can't meet the full letting days criteria. In these circumstances, the letting days criteria is assessed on the 12 months following the date the business commences (i.e. when first available for let).

- ▲ Qualifying as an FHL in 2024/25 will enable owners to claim capital allowances on their set up costs and part of the purchase price of the property, construction or refurbishment costs. For more information on capital allowances, download Zeal's free guide to capital allowances.
- ▲ The change in legislation does NOT constitute the cessation of the business. Cessation of a business is when there are no further bookings and no intention to resume the same activity in the future.
- ▲ To be able to benefit from CGT reliefs on sale (i.e. Business Asset Disposal Relief), the business must cease before 6<sup>th</sup> April 2025.
- ▲ Joint owners of property that are NOT spouses or civil partners, may share profit in unequal proportions if they operate as a commercial partnership and have a partnership agreement that confirms that profit share ratio.
- ▲ Joint owners of property that are spouses or civil partners will need to share profits equally. HMRC have, however, confirmed that you can notify them of unequal shares of profits using Form 17. A Declaration of Trust will be required.

The full publication can be found on the GOV.UK website [here](#).

### Exclusive access to Zeal's eBook: Tax Changes for Furnished Holiday Let Owners

Further details of the tax changes for furnished holiday lets, their impact and mitigation strategies, can be found in Zeal's eBook. You can access this free 43-page resource on Zeal's Free Resource Hub.

#### Disclaimer by Zeal

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