ZEAL TAX GUIDE

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Tax-deductible expenses for holiday lets

Following the abolition of the Furnished Holiday Let (FHL) tax regime, Short-term let's will be taxed in the same way as long term lets. However, the expenses incurred on short-term let's will be different to long lets.

Zeal have compiled a list of expenses incurred by short -term let owners and how they are treated for tax purposes. The list is not exhaustive, but covers the most common costs incurred by operators in this sector.

Costs incurred in a business fall into two categories,
Capital and Revenue expenditure:

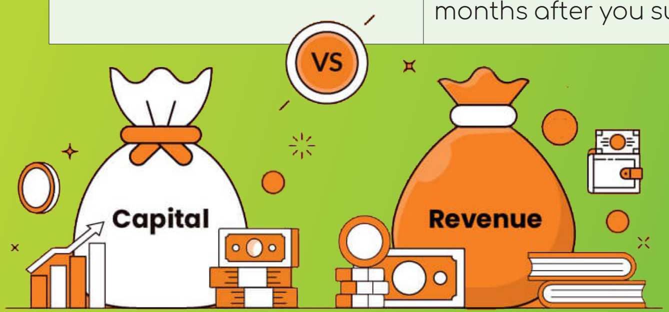
Revenue Expenditure - is the costs incurred for the day-to-day running of the holiday let business. Qualifying revenue expenditure is deducted from rental income.

Capital Expenditure - is where you purchase an asset or incur costs that have a long-term benefit for the business. Capital expenditure no longer qualifies for capital allowances to reduce your taxable profits. Capital expenditure reduces your Capital Gains Tax (CGT) in the future.

Examples of Revenue Expenditure:

Expenditure	Description of what can be claimed
Interest on finance costs	Interest on finance costs (e.g. mortgage payments) can't be deducted when calculating taxable profits. This includes interest on loans taken to fund a holiday let, re-mortgaging a home or other property and interest on credit cards. **A tax reducer of 20% of finance costs can be claimed to reduce tax payable.**
Refurbishments	The costs of replacing kitchens, bathrooms, carpets, boilers, electrical systems etc should generally be tax-deductible as a revenue expense. However, if the new assets are significant improvements or the works were carried out to a newly acquired property, they may be treated as capital expenditure. For further information, see Zeal's help sheet HERE.
Repairs and maintenance	All costs in relation to the upkeep of the property are tax deductible. This includes gardening, cleaning, routine repairs and maintenance. If you do the above yourself, you can't charge your own business. If you run the business through a limited company, you can charge the company for your services. You may need to report any income received on your personal tax return. The costs to refurbish or convert a property for holiday letting are likely to be capital expenditure (see capital expenditure section).
Property management fees	All fees paid to agencies, online platforms or management companies are tax deductible.
Legal and professional fees	Legal fees will generally be capital expenditure and not deductible. However, legal fees incurred during a year that relate to the running of the business can be claimed. This can include updating/renewing contracts, debt collection, trade dispute litigation etc. The cost of renewing an existing mortgage or lease is tax deductible but new mortgage or new lease arrangement fees are not. Professional fees that are incurred each year for the running of the business are generally tax deductible. For example, accountants costs for preparing accounts and tax returns or marketing consultants fees can be claimed. **Note** - any fees incurred that relate to the purchase or sale of a property will NOT be deductible against business profits (they are capital expenditure).

Subscriptions	Any subscriptions or membership fees paid to trade related associations.
Training	Any costs incurred for training that helps you improve the skills and knowledge you use in your business are deductible. Training to start a new business or learn new skills, are not deductible.
Insurance	Building and contents insurance of holiday let properties plus any other insurance related to the holiday let business are tax deductible. Does not include car insurance of your personal car or van (unless used exclusively for business purposes).
Council Tax / Business Rates	Can be deducted in full.
Utilities	Utilities can be claimed in full. Adjustment should be made for personal use of the property.
Staff costs	If you pay someone to run the business for you, the costs can be deducted for tax purposes. Please be aware of employment laws and tax regulations.
Welcome packs and other goods	The cost of welcome packs or any other gifts/goods provided to your customers are tax deductible.
Travel and subsistence	Any travel that is for the purpose of the holiday let business can be claimed. This includes visits to the property for cleaning, change overs, maintenance. The costs of travel and accommodation to prepare the property for holiday letting can be claimed. HMRC advise a rate of 45p/mile for first 10,000 miles (25p/mile after). The amounts claimed are to include car maintenance, fuel, insurance etc. It is also possible to claim subsistence costs if you have to stay overnight for business. For example, you could claim cost of evening meal and breakfast if you stay overnight to attend a course or seminar related to the holiday letting business. **TIP:** Keep good records of business travel.
Miscellaneous	Advertising, marketing materials, stationary, printing costs, work wear (e.g. branded t-shirts) or any other costs wholly and exclusively for the purpose of the holiday let business.
Mobile phone	The business use element of your mobile phone bill can be claimed. HMRC generally accept a 50% apportionment of mobile phone for business use. If you have a separate phone for business use only, the full cost can be claimed.
Internet and IT costs	All internet and IT monthly costs for the holiday let will be deductible.
Use of home as an office	If you use your home as an office to run the holiday let business, HMRC will accept a round sum deduction of £6 a week (£312 a year). This is to cover costs of utilities, broadband, insurance etc.
VAT	If you are not VAT registered, you reclaim the full cost of tax deductible expenses (cost including VAT).
Personal use	If an expense is partly for the holiday let business and partly a personal expense, you must make a just and reasonable assessment of the business use. (e.g. 50% business use = claim 50% of cost).
Record keeping	You don't have to provide HMRC or your accountant with copies of bank statements, invoices or receipts BUT you must keep copies for a 4 year period (digital records accepted). In the event of an HMRC enquiry, you will need to provide evidence of expenses claimed.
HMRC enquiry	HMRC will process a tax return when it is submitted. HMRC then have a period of 12 months after you submit the return to carry out their checks and ask any questions.



Examples of Capital Expenditure:

Expenditure	Description of what can be claimed
Purchase price of property	The purchase price of a property is deducted from future sale proceeds to reduce Capital Gains Tax ("CGT"). No tax relief can be claimed against business profits. Capital Allowances may be claimed on part of the purchase price for kitchens, bathrooms, electrical & heating systems etc that were bought with the property (usually 20% - 30% of purchase price) if you purchased before 6th April 2025. Find out more at www.gozeal.co.uk/claim-your-capital-allowances
Purchase costs	All costs associated with the purchase of the property are deductible in the future against CGT.
Legal and professional fees	Fees associated with purchasing or selling assets are capital (deductible against CGT in the future).
Furniture, furnishings, white goods etc	A tax deduction can be claimed for the replacement of domestic goods. These are generally furniture, furnishings, TV's and white goods. As long as you are replacing an existing domestic good, you can claim the cost of the new item. **Please Note**: Hot tubs would not be regarded as a domestic good.
Equipment and machinery	Capital allowances are no longer available to short-terms lets from 2025/26 tax year. No tax relief can be claimed for new equipment and machinery used by a short-term let. This includes items like hot-tubs and mowers, but also includes kitchens, bathrooms, alarm systems, heating and electrical systems etc that are not replacing existing assets. A revenue tax deduction might be available for replacements. See Zeal's help sheet HERE for more information.
Property refurbishments and conversions to holiday lets	Refurbishing an existing holiday let will generally be revenue expenditure (tax deductible). Whether the expenditure is capital or revenue is often complicated, particularly when you purchase a new property for renovation. Much will depend on what the property was like before and after. If capital, no tax relief will be available against rental profits but can be deducted against CGT in the future. Some expenditure may qualify for capital allowances e.g. kitchens, bathrooms, electrics etc. See Zeal's help sheet HERE for more information.

Capital or Revenue?

Basic Test:

Is the useful life of what you purchased more than 2 years? If so, it is most likely capital expenditure.

Items like, cutlery, plates, bedding, mattresses are generally revenue expenditure (tax deductible).