Abolition of Furnished Holiday Lets

Glendinning House
6 Murray Street
Belfast, BT1 6DN
T: 02890249222
E: info@sumerni.co.uk

www.sumerni.co.uk

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What's Changing?

From 6 April 2025, the favourable tax treatment for Furnished Holiday Lettings (FHLs) will be abolished. This will bring the tax treatment of FHLs in line with other types of rental properties.

Key Updates:

Finance cost restrictions will now apply to FHLs - relief for loan interest will be restricted to the basic rate of Income Tax.

FHLs can no longer claim capital allowances on new expenditure but instead will become eligible for replacement of domestic items.

Relief on the disposal of a FHL asset for capital gains tax purposes will be withdrawn, as a result BADR (Business Asset Disposal Relief, previously Entrepreneurs' Relief), Roll Over Relief and Gift Relief will no longer be available.

Income from FHLs will no longer be included within relevant UK earnings for the purposes of calculating maximum pension relief available.

Losses from FHLs will now be available to offset against the overall property business profits.

How can we help?

Review how the rule changes will affect you.

Advise on potential next steps to mitigate the tax impact of this change.

Advise on the tax impact on any future disposal of a FHL property.

If you would like to understand the potential impact of these rule changes on your FHL then get in touch with one of our private client tax team of Nicola Averell, Jessica Graham and Connor Loughrey.

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