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Furnished Holiday Lets (FHL)

The abolition of the FHL income tax and CGT relief breaks originally announced in the March 2024 Budget has now been included in the draft Finance Bill 2024-25.

Four key areas will be affected:

- a) Loan interest relief will be restricted to a 20% basic rate tax credit as opposed to tax relief at the taxpayer's marginal rate.
 - b) The removal of the capital allowances rules for new expenditure whilst allowing for the replacement of domestic items relief.
 - c) Withdrawing access to capital gains tax relief for trading business assets.
 - d) The letting income no longer being treated as relevant earnings when calculating maximum pension relief.
- There are some transitional rules, but the main premise will come into effect from 1st April 2025 for companies and from 6th April 2025 for individuals and trusts. From those dates, the long term let rules will effectively also apply to these properties.
 - Where an existing FHL business has an ongoing capital allowances pool of expenditure, it can continue to claim writing down allowances on that pool post April 2025, but not in respect of new expenditure.
 - Losses on FHL properties from pre-April 2025 can be carried forward and used against other UK or overseas **property** business income.
 - Under current rules, FHL properties are eligible for roll-over relief, business asset disposal relief, gift relief, relief for loans to traders, and exemptions for disposals by companies with substantial shareholdings — after the changes eligibility for the reliefs will cease.
 - However, where criteria for relief includes conditions that apply in a future year these specific rules will not be disturbed where the FHL conditions are satisfied before repeal. WE will need to wait to see the details in due course as to how this will work.



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- in relation to business asset disposal relief (the 10% reduced rate of CGT that currently applies), where the FHL conditions are satisfied in relation to a business that ceased prior to the 6th April 2025, relief may continue to apply to a disposal that occurs within the normal 3-year period following cessation.
- Anti-forestalling rule will apply from 6th March 2024 to prevent the use of unconditional contracts to obtain capital gains tax relief under the current FHL rules.

David Beckman

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