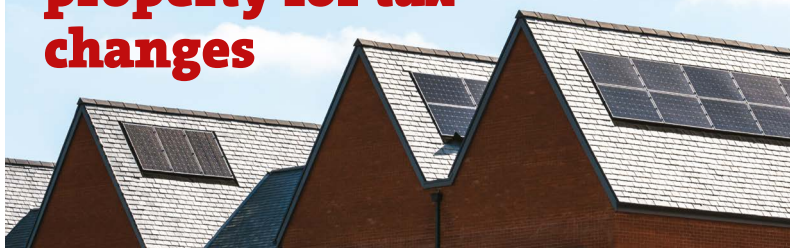


Chancellor targets property for tax changes



Property owners might wish to reconsider their plans after several significant changes to tax rules were unveiled in the March Budget.

Among Chancellor Jeremy Hunt's announcements was news that the current favourable tax treatment for furnished holiday lettings (FHLs) will be abolished with effect from 6 April 2025.

From that date FHLs will be treated the same as other let properties for tax purposes. This means:

- Finance costs (i.e., mortgage interest) will no longer be deducted from FHL income for tax purposes.
- FHL sales won't qualify for business asset disposal relief and the current 10% capital gains tax rate (CGT).
- Profits from FHLs won't qualify as UK relevant earnings with full tax relief for pension contributions.
- Capital allowances on fixtures and fittings won't be claimable against rental income.
- Spending on furniture etc won't be deductible as an expense of the property business – unless the costs relate to qualifying replacements.

With these changes in mind, some property owners may want to reconsider their strategy – for example, whether an FHL should be sold before April 2025 so that it still attracts the favourable rate of 10% CGT.

Abolition of MDR

Multiple dwellings relief (MDR), which reduces the stamp duty land tax when buying two or more dwellings in the same or a linked transaction, is also to be scrapped – this time from 1 June 2024.

Property transactions with contracts that were exchanged on or before 6 March 2024 will continue to benefit from the MDR relief regardless of when they complete, as will any other purchases that are completed before 1 June 2024.

Cut to higher rate CGT

Finally, from 6 April 2024, the higher rate of CGT for residential property disposals has been cut from 28% to 24% from. All other rates have remained unchanged.

If you are affected by these tax measures, contact the Shipleys property team. For more on the Budget, download our full summary at:

<https://tinyurl.com/5n9xkc8t>

New controls on holiday lets

From this summer, new holiday lets in England will be subject to controls aimed at preventing local people being unable to afford to live in their own community.

The changes will mean people need to seek permission from their local council to turn a property into a short-term let, a mandatory national registration scheme will also be introduced.

People renting out their main home for fewer than 90 nights a year will not need planning permission. Hotels, hostels and B&Bs are unaffected by the changes.

