

## December 2024 Property Newsletter

### **FHLs abolition - Clarification**

In the Autumn Budget 2024, Chancellor Rachel Reeves confirmed the abolition of the furnished holiday lettings (FHL) status from April 2025.

On 7 November, HMRC published the document 'Clarification on abolition of the furnished holiday lettings tax regime' (see [here](#)), which responds to common issues that have been raised by stakeholders.

The document outlines the tax consequences of the abolition as follows:

**VAT - Holiday accommodation**, whether previously qualifying as an FHL or not is still standard rated for VAT.

**Relief for mortgage interest** - individual landlords can still obtain relief for finance and mortgage interest costs, but only at the basic rate of Income Tax of 20%.

**Capital allowances** – after April 2025, no new capital allowances claims can be made in respect of fixtures or furniture. Replacement of Domestic Items Relief will then be available on replacement items.

**Capital Gains Tax** – business asset disposal relief (BADR) and other reliefs will no longer be available although transitional provisions will apply.

**Losses** – Any FHL losses carried forward beyond April 2025 will be treated as losses of the ongoing UK or Overseas property business going forward.

The document also addresses what has been raised as an unusual situation for FHL businesses commencing in the 2024/25 tax year. Where an FHL business commences in tax year 2024/25, the relevant period for the purposes of the occupancy conditions begins on the first day in the tax year on which letting commences and may extend past April 2025. However, FHL status only applies to the tax year 2024/25.

A transitional measure applies to business asset disposal relief eligibility for FHL businesses that cease prior to 6 April 2025. The document confirms that the date of cessation is not the date that further bookings stop being taken, it is the date from which there are no longer any bookings or lettings nor any intention to resume such activity in future.

### **SDLT refund claims**

HMRC recently announced that they received a high number of claims for refunds of Stamp

## December 2024 Property Newsletter

Duty Land Tax (SDLT) on the basis that a property, which is in need of repair, is not 'suitable for use as a dwelling'. HMRC's view is that over 95% of repayment claims submitted in this area are incorrect and have fallen well below the threshold they would expect.

Whether a property has deteriorated or been damaged to the extent that it no longer comprises a dwelling is a question of fact and will only apply to a small minority of buildings. HMRC's SDLT manual addresses uninhabitable dwellings – see [here](#).

### **Interest Rates rise**

In November, several major lenders increased the rates charged on new fixed mortgage deals, despite the Bank of England cutting the base rate to 4.75% earlier in the month. This is because mortgage lenders price their products based not only on the current base rate but on what they and the financial markets expect the rate to be in future. The Bank of England said that future cuts to the base rate are not likely to come as quickly as previously thought. The base rate is intended to control inflation and measures announced in the Autumn Budget on 30 October are widely expected to cause businesses to increase prices, thus fuelling inflation.

### **More protections announced for leaseholders**

Housing Minister Matthew Pennycook has announced a package of measures to reform the current leasehold system.

Measures in the Leasehold and Freehold Reform Act will be implemented at pace in 2025 to allow more leaseholders to buy their freehold or extend their lease without having to wait two years from the point they purchased their property. Measures will also allow homeowners to take over the management of their building, and ensure they have more transparency of costs and can challenge unfair service charges.

In the Spring, a package of measures will be introduced to expand access and reform the cost rules and voting rights where leaseholders claim the 'Right to Manage', meaning more homeowners in mixed-use buildings can take over management from their freeholders - and leaseholders making claims will no longer have to pay their freeholder's costs in most cases.

Further consultations will take place next year on making it easier to challenge unreasonable service charge costs, setting valuation rates

## December 2024 Property Newsletter

used to calculate the cost of enfranchisement premiums, and implementing new consumer protection provisions so those who pay freehold estate charges have more transparency of what they are paying for and the right to challenge at the First Tier Tribunal.

For more information see [here](#).