

# End of the furnished holiday let tax perks



**SEBASTIAN O'KELLY**

PROPERTY EDITOR

Market watch

Last week's Pre-Budget Report has acted like a starter's gun for owners of furnished holiday lets. They now have until April 5, 2010, before the agreeable tax perks they have enjoyed since the early Eighties end.

After the next Budget, holiday lets will be treated as a property business similar to buy-to-let portfolios, bringing to an end what was a tax-friendly little earner for Middle England, although the original idea was to aid impoverished, isolated communities.

Under the old rules capital gains tax was assessed at the entrepreneurs' rate of ten per cent, as opposed to 18 per cent.

Furthermore, gains could be rolled and absorbed if owners subsequently buy another more expensive property. Business costs such as mortgage repayments could be offset against other income – even salaries – and there were capital allowances, starting at 40 per cent, on expenses to the property, such as kitchens.

The income qualified for pension relief and, for the affluent, it was a pretty good way of reducing inheritance tax liability as well.

All these are to go in April.

Anyone who might be thinking of selling their holiday home or passing it on to their children, or refurbishing a place, should do so within six months, says Julie Butler, of Butler & Co accountants in Alresford, Hampshire.

'The only way to avoid these tax horrors is to set up a holiday homes business providing services similar to a hotel, for which you will probably need professional advice,' she says.

Over recent years, the country has seen a surge in furnished holiday lets, to the point where many professional landlords in the West Country are quitting the business. They can no longer compete with affluent amateurs who offer customers unmatched standards of accommodation in former barns and outbuildings attached to their larger homes.

But there are also plenty of the genteelly impoverished owners, for whom holiday lettings gave a modest boost to pensions.

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