

**Private Client Law Bulletin****Budget 22 June 2010 - Part 3: Furnished Holiday Lettings**

The special tax treatment for furnished holiday lettings ("FHL") was due to be repealed by the last Government on grounds it did not comply with EU law. The Coalition Government has halted the withdrawal and the special tax treatment continues for tax year 2010-11, altered to optionally apply also to properties within the EEA.

On 27 July, the Government issued a consultation on proposed changes to the special tax treatment for FHL. The consultation closes on 22 October and draft Regulations are expected to be released shortly thereafter, with implementation scheduled for April 2010.

**How are FHL treated?**

Income from letting property, including holiday lettings, is normally taxed under the property income rules, however the FHL rules allow holiday lettings that meet certain conditions to be treated as a trade for, amongst other tax purposes, certain capital gains reliefs such as:

- Business asset roll-over relief;
- Entrepreneurs' relief (see Bulletin 37);
- Relief for gifts of business assets; and
- Exemptions for disposals of shares by companies with a substantial shareholding.

**The proposed conditions for FHL rules to apply:**

1. The property must be situated either in the UK or within the European Economic Area;
2. The minimum period over which a qualifying property is available to let to the public during a year will be increased from 140 to 210 days;
3. The minimum period over which a qualifying property is actually let to the public during a year will be increased from 70 days to 105 days; and
4. The use of loss relief from FHL can only be set against certain income from the same business.

The application of the special tax treatment can make substantial reductions or deferrals in the amount of tax payable on transfers of property via the application of business asset roll-over relief, gift hold-over relief and Entrepreneurs' Relief.

A further bulletin will follow once the draft regulations have been published.

If you have any queries about how the changes affect you or your clients, please do not hesitate to contact us.

Brabners Chaffe Street has continued the growth of its Private Client team with the appointment of David McGurnaghan as a Solicitor. David deals with a range of matters including will drafting, estate administration, trust matters, lasting powers of attorney and general court of protection related work. He is a member of the Society of Trust and Estate Practitioners (STEP).

If you require any specific advice in connection with the material contained in this bulletin, or on any other Private Client issues, please contact: Duncan Bailey in Liverpool on 0151 600 3451, Richard Bate in Manchester on 0161 836 8840 or Stephen Marriott in Preston on 01772 229 816.

If you no longer wish to receive the bulletin please let us know by return e-mail to [helen.calvert@brabnerscs.com](mailto:helen.calvert@brabnerscs.com)

This bulletin is for general guidance purposes only and should not be used for any other purpose.



Brabners Chaffe Street was recently recognised in the Private Client Practitioner Journal as having one of the Top 25 private client teams in the country and is the only firm in the North West of England to receive this accreditation.

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**LIVERPOOL**

Horton House, Exchange Flags, Liverpool L2 3YL  
0151 600 3000

**MANCHESTER**

55 King Street, Manchester M2 4LQ  
0161 836 8800

**PRESTON**

7-8 Chapel Street, Preston PR1 8AN  
01772 823921