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## Client Briefing Note

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### End of the Holiday

Many of the headlines arising from this year's budget revolved around increasing tax rates but there was also a change which will be significant to those running holiday lettings businesses.

For many years, tax privileges have been afforded to UK holiday let property businesses, provided certain conditions were met. To qualify, it has been necessary for the property to be let commercially as furnished holiday accommodation for 70 days per year, having been available to let for a minimum of 140 days. It has also been necessary to ensure the property is not let for longer term periods, for over 155 days per annum.

If these conditions were met the tax advantages available included treatment as a trade and availability of deductions for capital allowances on furniture etc. Trading loss reliefs apply which means that losses (after interest and other costs incurred) can be offset against other income sources. In addition, Capital Gains Tax privileges have been available on disposals, with a reduced effective

rate of tax on gains of 10%, the availability of roll over relief on proceeds reinvested and hold over relief on gifts.

These privileges are however to be withdrawn from April 2010. It is interesting to note that until that time, the treatment referred to above has been extended to non UK properties. If therefore, overseas holiday properties have been let, it may be possible for claims to be made to reduce tax liabilities or obtain refunds. Owners of holiday let properties either in the UK or overseas may be considering a sale and a tax advantage could possibly be obtained by selling whilst the lower 10% tax rate still applies. If either a UK or overseas property may be sold in the future but not before April 2010, it may be possible to trigger a gain at the lower 10% rate before April 2010, but delay the actual sale until later. Similarly if you wish to take advantage of Capital Gains Tax hold over or roll over relief, on gifts or sales of holiday let properties, this will need to be done before April 2010.

If you require further advice on this or any other tax matter, Mark Thompson can be contacted at Rennie Welch LLP, on (01573) 224391 or [mark.thompson@renniewelch.co.uk](mailto:mark.thompson@renniewelch.co.uk)

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