



Tax changes to furnished holiday lettings: What you need to know and our response to government

27 August 2024

Q&A

Questions and Answers

1. Anti-forestalling rules for capital gains tax - can I confirm if a client now wants to sell their FHL to a third party and this completes before 1 April 2025, there is no exposure to these rules i.e. business asset disposal relief will apply?

It would depend on the circumstances. Business Asset Disposal Relief is one of the reliefs within the scope of the anti-forestalling rules. In order for the anti-forestalling rules not to apply, it would be necessary to ensure that “no purpose of entering into the contract was to avoid the amendments” and either the contract was entered into wholly for commercial reasons, or the parties to the contract are not connected persons.

2. Can ICAS consult with HMRC to get clarity on the anti-forestalling rules from HMRC and whether a sale forced now because running the FHL is no longer financially viable is a genuine commercial reason for a sale. Or please advise where we can post this to be included in consultation.

At this stage, there is limited guidance on what HMRC will accept as a genuine commercial reason for sale. We will flag up the need for additional clarity in our feedback to HMRC.

3. Are there anti forestalling rules around accelerating capital allowance investment before end of March 2025? For expenditure which would have been planned after that date if these new rules weren't to apply

The anti-forestalling rules are in respect of chargeable gains. However, the normal rules on the timing of expenditure in [Section 5 Capital Allowances Act 2001](#) would continue to apply. These include provisions in respect of situations where an obligation is created that does not accord with normal commercial usage.

4. How does the timing of expenditure eligible for capital allowances affect the application of allowances in respect of pre FHL business commencement and the super deduction rules?

The normal rules on the timing of expenditure in [Section 5 Capital Allowances Act 2001](#) will continue to apply. [Section 12 Capital Allowances Act 2001](#) explains that any expenditure incurred before the commencement of trade is treated as having been incurred on the first day of trading. HMRC manual [CA23164](#) gives details on the application of super deduction for companies incurring pre trading expenditure. However, if the FHL business has not commenced trading before 6 April 2025 (unincorporated businesses) or 1 April 2025 (companies), the ability to claim capital allowances on pre trading expenditure would seem limited as the FHL activity would no longer be considered trading at that point.

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5. I assume that there are currently no transitional provisions in place in respect of the restrictions to loan interest costs like they did when they introduced the restrictions to loan interest relief for long term residential lets.

There are no such provisions at the moment. We plan to flag up this point in our feedback to HMRC on the draft legislation.

6. If Chris can follow up on company pensions that would be helpful, please. My understanding is that an employer contribution for a director is only allowable for corporation tax if there is a trade. So, if FHL is no longer classed as a trade, from 1 April 2025 does this not block relief for directors that want to make large employer pension contributions out of their FHL company?

Relief for employer pension contributions for a company that is not trading may still be available under the management expenses route – see HMRC manual [CTM08344](#). Similar provisions to trading businesses would apply on the deductibility of an employer pension contributions – these are explained in more detail in HMRC manual [CTM08330](#). Relief for employer pension contributions is of course only given to companies when the pension contributions are paid – HMRC manual [CTM08345](#) explains further.

7. Chris mentioned that transitional rules for year ends straddling April 2025 would be on a time basis. So, if a company has a November 2025 year-end but makes a company pension contribution in March 2025, is the whole pension contribution allowable for corporation tax because it was made before 1 April 2025?

A pension contribution paid in March 2025 would be treated as having been made in the notional Corporation Tax period ended 31 March 2025 and the tax deductibility would be in the normal way in terms of whether these could be treated as deductible from the FHL trade. Pension contributions after 1 April 2025 may still be tax deductible – see response to question 7 above for more details.

8. Can you post a link to the icas.com article on Form 17 that Chris referred to please?

The article was posted on our website in September 2023: [Jointly let properties: A reminder of the special rules](#)

9. Would forming a partnership be a way around jointly owned spousal property if the aim would be to potentially change the profit split year on year?

[Section 836 Income Tax Act 2007](#) does not apply to property in partnership. However, there may be broader tax considerations to consider, including settlements legislation – see [TSEM4215](#) for more details. In any case, a partnership rental business would be a different rental business to the existing rental business, so this could potentially result in complications in terms of any capital allowances of the FHL business. ICAS is not in a position to give advice, however this is not necessarily a straight-forward solution, and such a move could create additional complexities.



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10. In the new regime, how does FHL changes deal with FHL partnerships where only one spouse is a partner but the property is jointly owned by the husband and wife. Will the Form 17 declaration take care of that?

Form 17 cannot apply in respect of income received by partnerships. It is unclear from the question how a partnership could exist with only one spouse a partner. Please email tax@icas.com if we can point you in the direction of more specific guidance.

11. What is HMRC's stance on a couple who own a number of FHL properties and rent the properties to a limited company to run the trade. How will this be affected?

The change in the FHL rules should not affect the long-term rental in place between the individuals and the company. The FHL business within the company would no longer be treated as a trade for accounting periods commencing 1 April 2025 onwards, so no capital allowances could be claimed but the replacement of domestic items relief would apply where applicable. Please email tax@icas.com if we can point you in the direction of more specific guidance in this scenario.