

Furnished Holiday Lettings in the European Economic Area – Capital Allowances

The background

Landlords of furnished holiday properties in the UK have always been able to claim tax relief - known as capital allowances – on any qualifying expenditure the property such as the installation of heating, kitchens, bathrooms even swimming pools.

These allowances were not previously available to owners of properties in the EEA. The Government decided that this may not be compliant with European Law and so changed the rules but only until the next tax year when the current statute will be repealed - see HMRC Technical Note 9 December 2009.

Who can qualify?

The allowances can be claimed by anyone who has incurred capital expenditure on buying, extending or altering a holiday property in the qualifying countries. The letting of the property must be run on a commercial basis and must meet the following criteria.

- Be let furnished
- Be available for holiday letting to the public on a commercial basis for 140 or more days per year
- Actually be let commercially as a holiday property for 70 days or more per year
- Must not be occupied continuously for more than 31 days for at least seven months of the year.

What are the potential benefits?

Typically there will be between £20,000 and £100,000 of tax allowances available although on larger properties this could be much higher.

To a high rate tax payer this could be worth £8,000 and £40,000.

The rate at which this tax relief can be claimed will depend on when the property was acquired and when a revised tax return is submitted.

The first £50,000 of expenditure incurred after the 1st / 5th April 2008 will qualify at 100% which significantly increases the Net Present Value.

How can the tax relief be recovered?

A revised tax return must be submitted which should ideally include full details of the basis of the amounts being claimed. For purchased properties this will require a formal capital allowances valuation – known as a just apportionment.

Although the rules are changing, providing you make the capital allowances claim in the 5th April 2010 tax return you will continue to benefit from the tax relief even after the rules have changed. If you can claim in the current or even previous years then the savings will be higher and **a tax refund may even be due.**

Qualifying Countries- The EEA

Austria	Liechtenstein
Belgium	Latvia (Since May 2004)
Bulgaria (Since January 2007)	Luxembourg
Cyprus (Since May 2004)	Malta (Since May 2004)
Denmark	Netherlands
Estonia (Since May 2004)	Norway
Finland	Poland (Since May 2004)
France	Portugal
Germany	Romania (Since May 2007)
Greece	Slovakia (Since May 2004)
Hungary (Since May 2004)	Slovenia (Since May 2004)
Iceland	Spain
Ireland	Sweden
Italy	United Kingdom

How can ca4 help?

- We will carry out a free initial report for you on your holiday property to let you know how much you could potentially save - nothing is too small or too big! All we need is some background information on the property such as purchase price, address etc.
- We can produce the formal valuation in accordance with the capital allowances rules for submission to HMRC. This report provides all of the information they will need to undertake the initial review.
- Our fees are based on the tax savings - no savings, no fee.

Any queries? Call 01905 619224

or e-mail clive.searle@ca-4.co.uk

www.ca-4.co.uk