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## June 2010 Emergency Budget – Furnished Holiday Lettings changes

This brief sets out the changes to the Furnished Holiday Lettings rules announced in the Emergency Budget on 22 June 2010.

### The extension of the rules

The income tax and capital gains tax rules for properties qualifying as Furnished Holiday Letting originally only applied to UK properties. However the previous Government suggested that the rules might not meet EU law and in the 2009 Budget it was announced that that the rules would therefore be extended to properties within the European Economic Area.

### The proposal for repeal of the rules

When the above extension of the rules was announced a further announcement was made that the rules would be repealed with effect from 6 April 2010.

The NFU made a number of representations and lobbied against the proposed repeal. This was because the majority of Furnished Holiday Lettings are based in rural or seaside areas. It was therefore believed that a repeal would be likely to have a significant negative impact on rural tourism and therefore on the rural economy.

The proposal for the repeal was opposed by the opposition parties and was dropped from the Finance Bill in order for the remaining measures to pass through Parliament. This left uncertainty on the future of the Furnished Holiday Lettings rules.

### The announcement in the Emergency Budget

It was confirmed in the Emergency Budget that the existing rules for furnished holiday lettings will continue in their current form until 5 April 2011. The rules will continue beyond this date but a consultation on a proposal to amend the rules with effect from 6 April 2011 will take place in the summer. The announcement suggests that the proposal will:

- ensure the FHL rules apply equally to properties in the EEA;
- increase the number of days that qualifying properties have to be available for, and actually let as, commercial holiday letting; and
- change the way in which FHL loss relief is given.

The announcement that the Furnished Holiday Lettings tax rules will not be repealed is extremely welcome. The NFU will however engage in the consultation process to ensure that members' interests are fully represented.

Further details of the changes announced can be found on the HMRC Budget pages of their website, which can be found [here](#).