

## August 2024 Property Newsletter

Welcome to our monthly newsletter for property landlords. We hope you find this informative.

### Government confirms Furnished Holiday Let (FHL) abolition

The government has now issued the draft legislation to abolish the special tax treatment of furnished holiday lettings (FHLs) with effect from 6 April 2025 for individuals (1 April 2025 for corporation tax). This change will remove the tax advantages that current FHL landlords have received over other property businesses in 4 key areas by:

- applying the finance cost restriction rules so that loan interest will be restricted to the basic rate of Income Tax;
- removing capital allowances rules for new expenditure and allowing relief when domestic items are replaced;
- withdrawing access to reliefs from taxes on chargeable gains for trading business assets; and
- no longer including this income within relevant UK earnings when calculating maximum pension relief.

After repeal, former furnished holiday let properties will be part of the person's UK or overseas property business and be subject to the same rules as residential property businesses.

Where an existing FHL business has an ongoing capital allowances pool of expenditure, they can continue to claim writing-down allowances on that pool — any new expenditure incurred on or after the operative date (1 or 6 April 2025) must be considered under the property business rules.

Losses generated from a person's FHL business will be permitted to be carried forward and be available for set off against future years' profits of either the UK or overseas property business as appropriate.

### The King's Speech – what's in store for property landlords

The King's Speech, written by the new Labour Government, was delivered at the State Opening of Parliament on 17 July.

The speech set out bills that the government intends to introduce to parliament during this next parliamentary session, which should last around 12 months.

In the speech, the following bills relevant to property landlords were announced:

The **Planning and Infrastructure Bill** will reform the planning process and accelerate the delivery of high-quality infrastructure and housing. In Rachel Reeves' first speech as Chancellor on 8 July, she said *"Our antiquated planning system leaves too many important projects getting tied up in years and years of red tape before shovels ever get into the ground"* before committing to *"reform the National Planning Policy Framework, consulting on a new growth-focused approach to the planning system before the end of the month, including restoring mandatory housing targets."*

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In terms of infrastructure, Reeves said that the government plans to end the ban on new onshore wind farms and consult on bringing onshore wind back into the Nationally Significant Infrastructure Projects regime, meaning decisions on large developments will be taken nationally, not locally.

Regarding the **Renters' Rights Bill**, legislation will be introduced to give greater rights and protections to people renting their homes, including ending no fault evictions and reforming grounds for possession. The Renters' Reform Bill, introduced by the previous government, contained such measures, but it experienced many delays during its passage through parliament and at the time parliament was prorogued for the general election, it was not advanced enough to receive Royal Assent as part of the 'mopping up' process.

Draft legislation will also be published on leasehold and commonhold reform (the Leasehold and Commonhold Reform Bill). The previous government's Leasehold and Commonhold Reform Act received Royal Assent during the mopping up process, but it did not contain a proposed cap on ground rents. In their manifesto, Labour pledged to "take further steps to ban new leasehold flats

### **England and Northern Ireland: Stamp duty to rise for first-time buyers from 2025**

In a pre-election phone-in on BBC Radio 5 Live, Keir Starmer appeared to announce the end of a Stamp Duty Land Tax (SDLT) break for first-time buyers. A Labour spokesperson subsequently confirmed that the first-time buyers' SDLT threshold, which was increased to £425,000 by then Chancellor Rishi Sunak in

2022, is set to drop back to its original level of £300,000 in 2025.

First-time buyers' relief is available if:

- the buyer, and anyone else they're buying a property with, is a first-time buyer;
- They plan to occupy the property as their main residence; and
- The purchase price is not more than £625,000.

SDLT is at 0% on the portion of the purchase price up to £425,000 (set to drop to £300,000) and at 5% on the remainder up to £625,000.