



Furnished Holiday Lets (FHLs) in the United Kingdom are subject to specific tax rules, including those related to Capital Allowances. Capital Allowances allow taxpayers to claim tax relief on certain capital expenditure incurred for business purposes, such as buying or improving assets.

For a property to qualify as an FHL, it must meet certain criteria set by HM Revenue and Customs (HMRC). The property must be in the UK or European Economic Area (EEA), available for commercial letting as furnished holiday accommodation for at least 210 days per year, and actually let for at least 105 days per year. Additionally, the property should not be let for longer-term leases exceeding 31 days to the same tenant for more than 155 days in a year.

Regarding Capital Allowances for FHLs, eligible capital expenditure incurred on furniture, fixtures, and other assets used within the FHL business can be claimed. This includes items like beds, sofas, kitchen equipment, and other furnishings. Capital Allowances can be claimed in two ways:

- 1) Annual Investment Allowance (AIA): The AIA allows you to claim a 100% deduction on qualifying expenditure up to a specified limit. Currently, the AIA limit is set at £1 million per year. This means that you can deduct the full cost of qualifying items, up to the AIA limit, in the year of purchase; and/or
- 2) Writing Down Allowances (WDA): If your expenditure exceeds the AIA limit or if you choose not to claim the full amount under the AIA, you can claim WDA's. The WDA is currently set at 18% per year on the reducing balance basis for most qualifying assets.

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It's important to note that land and buildings are generally not eligible for Capital Allowances unless they fall under specific categories, such as integral features (e.g., electrical systems, heating systems) or certain energy-efficient assets.

To claim Capital Allowances for FHLs, you will need to include the relevant information on your self-assessment tax return. It is advisable to consult with a tax advisor or accountant who can provide guidance based on your specific circumstances and the most up-to-date tax regulations.

We can help

If you have any questions in relation to furnished holiday lets or any of the issues raised in this Broadcast, please call us on **01753 888 211** or email **info@nhllp.com**