



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir Julian Smith MP
House of Commons
London
SW1A 0AA

18 October 2024
Your ref: JU79562

Dear Sir Julian

Thank you for your email of 15 August to the Secretary of State for Housing, Communities and Local Government, enclosing correspondence from your constituent, about Furnished Holiday Lets. I am replying as Minister responsible for the UK tax system. I am sorry for the delay in responding.

The Government recognises the important role that furnished holiday lets (FHLs) play in the visitor economy. However, it does not consider it fair or appropriate that FHL landlords enjoy tax advantages over landlords who provide homes to longer-term residents. The FHL tax regime has created a distortion that favours short-term holiday lets over longer-term rentals. It provides a tax incentive to invest in and provide the former over the latter.

The Government will therefore abolish the FHL tax regime from April 2025. The abolition of the FHL regime will raise around £245 million by 2028-29, which will help support public services in the context of the dire state of the public finances we have inherited. As set out at the end of July, the Chancellor of the Exchequer has pledged to restore economic stability after revealing £22 billion of unfunded pressures in 2024-25 inherited from the previous government.

The Government wants to support visitor accommodation alongside housing for longer-term residents to rent or buy. Achieving this balance is crucial in supporting the tourism sector, and many of the people who work in the sector need access to local housing. This measure equalises the tax treatment of FHL and non-FHL landlords' income and gains, making the tax system fairer.

It is important to emphasise that tax reliefs will still be available to individuals providing furnished holiday letting services, including mortgage interest relief at 20 per cent and relief for the replacement of domestic items. These reliefs will be at the same level as those available to landlords who provide long-term residential lets.

Individual landlords can also benefit from the income tax Personal Allowance, which is the amount of income that can be earned before income tax is paid (£12,570 in 2024-25).

Your constituent also raises second homes in their letter. From April 2025, councils will be able to apply a council tax premium on second homes, enabling them to double

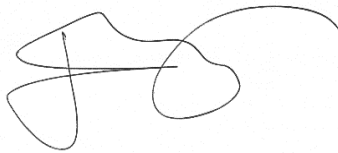
the council tax income from second homes. Councils will have the freedom to choose whether to apply the premium and at what level, taking account of local circumstances. This provides local leaders with additional flexibility to help address the impacts of second homes and improve the sustainability of local services.

Councils also have the power to apply the empty homes council tax premium on properties that have been left empty for over one year, which encourages owners to bring empty homes back into use.

As with all aspects of the tax system, the Government keeps the tax treatment of property landlords under review and any decisions on future changes will be taken by the Chancellor in the context of wider public finances.

I hope this response is helpful. Please pass on my thanks to your constituent for taking the time to make me aware of their concerns. The Government keeps all taxes under review as part of the policy making process.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'James Murray', with a long, sweeping horizontal stroke extending to the right.

JAMES MURRAY MP
EXCHEQUER SECRETARY TO THE TREASURY