

Welcome to our monthly newsletter for property landlords. We hope you find this informative and please contact us to discuss any matters further.

Furnished Holiday Lets: A New Era

The Furnished Holiday Lettings (FHLs) regime was abolished from 6 April 2025. What does the abolition mean for your holiday letting property?

The property will become part of either your main UK or Overseas property business. This means that some of the beneficial tax rules that previously applied will no longer apply, such as:

- Tax relief for dwelling-related loan interest will be restricted to basic rate (20%).
- New capital expenditure will not qualify for capital allowances. Instead, the replacement of domestic items relief may apply.
- Capital Gains Tax reliefs for trading business assets will no longer be available.
- Income from the property will no longer be included in 'relevant UK earnings' when calculating maximum pension relief.

However, all is not lost! There are some transitional measures that you may benefit from:

- It will be possible to carry forward losses that were generated by an FHL business prior to 6 April 2025. These losses will be available for set off against future years' profits

of either the UK or overseas property business, as appropriate.

- Where an FHL business had a capital allowances pool at 5 April 2025, the pool can be carried forward within the general property business. Going forwards, it will be possible to claim writing-down allowances on the pool.
- If a business satisfied the FHL conditions and stopped trading before 6 April 2025, business asset disposal relief (BADR) may continue to apply to a disposal that occurs within the normal 3-year period following cessation.

If your property previously qualified as an FHL and you have questions about the new tax treatment, please get in touch with us!

Mortgage rates: an update

A recent survey by Moneyfacts has found that first-time buyers requiring 90% or 95% Loan-to-Value (LTV) mortgage deals now have more choice than since 2008, although house prices and interest rates are currently higher than they have been for most of the last 17 years.

The survey also found that mortgage affordability has also improved. Across all LTVs, the average two-year fixed rate fell month-on-month from 5.39% to 5.32% and the average five-year fixed rate dropped from 5.22% to 5.18% in the same period.

The next decision from the Bank of England's Monetary Policy Committee is due in May and there are rumours that a cut will be announced. However, it remains difficult to predict interest rates, due to high

economic uncertainty caused by the US tariffs announcements.

Number of buy-to-let companies steadily growing

A recent survey by Hamptons found that buy-to let landlords are increasingly moving their portfolios into a limited company structure. This trend is largely attributed to the 2016 legislation that restricted the tax relief for dwelling-related loan costs available to individual landlords.

Companies House now has more registered buy-to-let companies than any other type of business. The number of companies holding buy-to-let property in the UK has increased by 332% over the past nine years.

Holding buy-to-let property in a limited company can entail tax advantages but there are also extra costs involved. When it comes to operating a buy-to-let property business there is no 'one-size-fits-all' approach and deciding on the best business structure should be addressed on a case-by-case basis. If you are considering transferring your property into a limited company, please talk to us – we will be happy to advise!

Scotland: Housing Bill Amendments Lodged

The Scottish government has lodged its Amendments to the Housing (Scotland) Bill, which sets out how rents will be capped in rent control areas.

Within control areas, rent increases will be limited to the CPI (Consumer Price Index) annual rate of inflation plus 1%, up to a maximum increase of 6%. If the legislation is approved, it will apply to rent increases during a tenancy's term and in between tenancies.

Areas that should be subject to rent control will be decided by ministers.

The amendments add to other renters' rights that are already included in the Housing Bill. These include renters having a right to keep pets and to decorate without being unreasonably refused.

Northern Ireland: Intermediate rental model

The Department for Communities has announced that a new rental scheme will be introduced in Northern Ireland, enabling 300 new homes to be built.

The scheme involves an 'intermediate rent model', which will offer a below-market rate to help those on lower incomes who earn too much to qualify for social housing but cannot afford private sector rents.

To qualify for the scheme, a single adult household must have an annual income of less than £30,000. Two-adult households must have less than £40,000 annual income. Rent under this model should not be more than 30% of the household income.

Building work is expected to start at the beginning of 2026 and properties should be available to rent later in the year.