RMS Tax and Financials

UK TAX UPDATE

Furnished Holiday Lettings

The Tax Regime Just Changed

What changed on 6 April 2025 — and what it means for your 2025-26 tax return.

Swipe for the 5 biggest changes →

FHL TAX CHANGES

1 Mortgage & Loan Interest

BEFORE 6 APRIL 2025

Loan interest was fully deductible against rental profit, at your marginal tax rate.

↓

FROM 6 APRIL 2025 · HIGH IMPACT

Relief is capped at a 20% tax credit — higher and additional-rate owners take the biggest hit.

FHL TAX CHANGES

2 Capital Allowances

BEFORE 6 APRIL 2025

New furniture, equipment and fixtures qualified for 100% first-year tax relief (AIA).

↓

FROM 6 APRIL 2025 · HIGH IMPACT

No new capital allowances. Relief now only on replacing an item — fixtures don't qualify at all.

FHL TAX CHANGES

3 CGT on Sale (BADR)

BEFORE 6 APRIL 2025

Selling an FHL qualified for Business Asset Disposal Relief at 10%, plus rollover and gift relief.

↓

FROM 6 APRIL 2025 · HIGH IMPACT

BADR, rollover and gift relief are all withdrawn. Standard CGT rates apply — up to 24%.

FHL TAX CHANGES

4 Pension Contributions

BEFORE 6 APRIL 2025

FHL profit counted as relevant UK earnings — a base for personal pension contributions.

↓

FROM 6 APRIL 2025 · MEDIUM IMPACT

FHL profit no longer counts. It can't support your pension contribution allowance.

FHL TAX CHANGES

5 Loss Relief

BEFORE 6 APRIL 2025

FHL losses were ring-fenced — usable only against future FHL profits.

↓

FROM 6 APRIL 2025 · POSITIVE CHANGE

Losses can now offset general UK property income too. More flexibility, for once.

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ALSO CHANGING

Jointly-Owned Properties

BEFORE 6 APRIL 2025

Couples could split FHL profit flexibly, regardless of legal ownership share.

↓

FROM 6 APRIL 2025 · MEDIUM IMPACT

A default 50:50 split now applies — a Form 17 election is needed to split it differently.

GOOD TO KNOW

What Hasn't Changed

UNCHANGED

VAT registration and the standard-rated status of holiday lettings.

UNCHANGED

Business rates "self-catering" letting-day tests.

These run on their own rules — don't confuse them with the income tax and CGT changes above.