

Holiday Letting Offers Exciting Opportunity Following Buy-To-Let Legislation Change

By Simon Law at cottages.com (www.cottages.com) and Tony Briscoe from DHC Accounting (www.dhcaccounting.co.uk).

Changes in tax relief is leaving buy-to-let landlords facing greater challenges in the years to come, but the news is offering new and exciting opportunities for those looking to enter the world of holiday letting.

By 2021 the way tax relief is granted on interest paid by buy-to-let landlords is set to change. Higher rate tax payers will no longer receive tax relief at their highest rate of tax on interest on loans for the purchase of their let properties. There are several changes that now impact buy-to-let landlords, but what do they mean and why might turning to holiday letting be more profitable?

- **Income Tax** - Buy-to-let owners will now pay tax on their full rental income (after deduction of allowable expenses excluding interest) and receive a credit at only the basic rate of tax on the amount of interest paid.
- **Changes to allowance** - Landlords can only claim for replacement of capital items and only on a like-for-like basis. Initially, they were able to claim the Wear and Tear allowance, which was calculated at 10 per cent of income and given irrespective of whether or not there had been any replacement capital expenditure.
- **Who this will impact** - The changes will largely affect those with a mortgage on their investment property, so it is expected that smaller investors, such as those purchasing a second home to boost their pension plan, will be effected most. For many this may result in a venture of this kind being unsustainable.

With these imminent changes in mind, Tony Briscoe, director at DHC Accounting, suggests that holiday lettings could be the answer to the buy-to-let tax legislation.

Tony said: "Furnished holiday lettings are not affected by either of the changes in legislation, making them an attractive option for those looking to make the best possible return on their investment. Paying less tax can substantially increase the return and as a result, many investors are already turning to holiday letting as a more profitable alternative.

"Holiday letting offers unique tax advantages such as allowing a property owner to claim capital allowance on capital expenditure used to set up the property (although not on the property purchase itself) – so this could include furniture, heating, electrical work, plant equipment and so on. Remember you may also be able to claim Small Business Relief on rates.

"It's also worth noting the other considerable side benefit of owning a holiday let - its flexibility of use. Unlike long-term lets, owners of holiday rentals can use and enjoy their investment property in between bookings if they choose, which for many offers a home-from-home in a much-loved destination."

Simon Law at cottages.com, said:

"Business is brisk in the sector, with a growing demand for staycations and holiday properties throughout the UK.

“Having the right property in a good location, supported by the expected facilities, services and marketing power of a reputable agency can produce a significant and reliable source of income.”

For more information about starting a holiday let, simply visit: www.cottages.com/let-your-property.

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Notes to Editors

For more information, please contact the press team on press@lucre.co.uk or call 0113 243 1117.

About cottages.com

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