CEDAR
RETREATS

TAX BENEFIT INFORMATION OF OWNING A CEDAR RETREAT

This document is purely for information only and we recommend you seek professional advice from an accountant or tax advisor when purchasing a retreat as an investment.

Furnished Holiday Lettings (FHL)

To qualify for FHL, the property must be fully furnished and you must charge the going market rate. If you let your family and friends use the retreat at a lower rent this will not classify as a commercial letting. The crieria stipulates that you cannot let the same person stay in your property for more than 31 days in any seven-month period although you can offer an out-of-season long let for the remaining five months. You must also be able to demonstrate that you are renting the property with a view to the realisation of profit.

To qualify you must:

- Let the retreat for a minimum of 105 days/15 weeks per annum, and the property must be available for letting for a minimum of 210 days/30 weeks per annum. (Cedar Retreats management team are obviously on hand to ensure this happens).
- If for any reason, you are unable to let your retreat sufficiently to meet the above criteria you are provided a 2 year “period of grace”, when you can elect to meet the minimum letting days even though you failed to do so. The years covered by any such “election” must, however, follow a year when your rentals did meet the minimum letting days target.

Benefits

If you fulfil the FHL criteria then your holiday let will be subject to income tax, but you can offset all eligible expenses against the income from the property. Expenses include legal fees, commission fees, maintenance and cleaning charges, as well as indirect fees such as phone calls and stationery. Please bear in mind you can only claim expenses that are solely to do with running and letting your retreat and if any expense only partly relates to your business, you can only claim that part of it.

Capital Allowances

You will be entitled to claim capital allowances on iems such as the furniture, furnishings and white goods that are in your retreat, but there are no capital allowances for the cost of the retreat itself. These allowances are deducted along with your expenses in calculating any profit from your FHL.

Capital Gains Tax

Once you have owned the FHL for over 1 year, any subsequent sale will be eligible for entrepreneur's relief and provided you have not used up your allowance, any capital gain will be taxed at 10%.

Need further advice?

We can recommend an independent financial advisor who can offer advice in relation to owning a retreat, and assist you with raising finance for your purchase.