

1 Commercial letting of furnished holiday accommodation

Schedule 1 contains provision abolishing the special rules relating to the commercial letting of furnished holiday accommodation.

SCHEDULE 1

Section 1

FURNISHED HOLIDAY LETTINGS

PART 1

AMENDMENTS RELATING TO INCOME TAX

FA 2004

- 1 Section 189 of FA 2004 (tax reliefs and exemptions in connection with registered pension schemes: meaning of relevant UK earnings) is amended as follows—
- (a) in subsection (2) omit—
 - (i) paragraph (ba), and
 - (ii) paragraph (bb) (but not the “and” after it);
 - (b) omit subsections (5) to (6B).

ITTOIA 2005

- 2 (1) ITTOIA 2005 is amended as follows.
- (2) In section 270 (charge on profits of property businesses), in subsection (5)—
 - (a) in the definition of “CAA allowances” omit “or 250A”;
 - (b) in the definition of “CAA charges”, for “either of those sections” substitute “that section”.
 - (3) In section 272B (meaning of “costs of a dwelling-related loan”)—
 - (a) in subsection (2) for “subsections (3) and (4)” substitute “subsection (3)”;
 - (b) omit subsection (4).
 - (4) In section 307B (cash basis: capital expenditure)—
 - (a) in subsections (6) and (7), omit “ordinary”;
 - (b) in subsection (8), for paragraph (a) substitute—
 - “(a) “residential property” means land consisting of a dwelling-house or part of a dwelling-house in relation to which a UK property business or an overseas property business is carried on in the tax year, and”;
 - (c) omit subsections (9) and (19).
 - (5) In section 307E (cash basis: capital receipts)—
 - (a) in subsection (20)(a) for “sections 248 to 250A” substitute “sections 248 and 250”;
 - (b) in subsection (22)(a), for “section 15(1)(b) to (da)” substitute “section 15(1)(b) or (d)”.
 - (6) In section 311A (replacement domestic items relief)—
 - (a) in subsection (6), for “subsections (7) and (8)” substitute “subsection (8)”;

- (b) omit subsection (7).
- (7) In section 313 (restrictions on relief), omit subsection (3).
- (8) Omit Chapter 6 of Part 3 (which defines “the commercial letting of furnished holiday accommodation”).
- (9) In section 334C (unrelieved qualifying expenditure)–
 - (a) in subsection (1)(b), for “a relevant property business activity” substitute “the property business”;
 - (b) in subsection (3), for “each relevant property business activity” substitute “the property business”;
 - (c) in subsection (6), omit the definition of “relevant property business activity”.
- (10) In Part 2 of Schedule 4 (index of defined expressions), omit the entry for “commercial letting of furnished holiday accommodation (for purposes of Chapter 6 of Part 3)”.

ITA 2007

- 3 (1) ITA 2007 is amended as follows.
- (2) In section 117 (overview of Chapter 4 of Part 4) omit subsections (2) and (2A).
- (3) Omit–
 - (a) section 127 (UK furnished holiday lettings business treated as trade),
 - (b) section 127ZA (EEA furnished holiday lettings business treated as trade), and
 - (c) the italic heading before those sections.
- (4) In section 388 (loan to buy plant or machinery for partnership use)–
 - (a) in subsection (2)(a) omit “ordinary”;
 - (b) in subsection (4), for ““ordinary property business”” substitute ““property business””.
- (5) In section 389 (eligibility requirements for interest on loans), in subsection (4) omit “ordinary”.
- (6) In section 399A (property partnerships: restriction of relief for investment loan interest) omit subsection (9).
- (7) In section 836 (jointly held property), in subsection (3) omit exceptions D and DA.

Consequential repeals of amending provisions

- 4 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed–
 - (a) in ITTOIA 2005–
 - (i) paragraph 196 of Schedule 1, and
 - (ii) paragraphs 74 and 75 of Schedule 2;

- (b) in Schedule 1 to ITA 2007—
 - (i) paragraph 473(2)(a) and (b), and
 - (ii) paragraphs 508, 509 and 510;
- (c) in FA 2011, Part 1 of Schedule 14;
- (d) in FA 2016, section 73(5);
- (e) in F(No.2)A 2017, paragraph 26 of Schedule 2.

PART 2

AMENDMENTS RELATING TO CORPORATION TAX

CTA 2009

- 5 (1) CTA 2009 is amended as follows.
 - (2) In section 202 (overview of Part 4) omit subsection (5).
 - (3) In section 250A (replacement domestic items relief) omit subsection (7).
 - (4) In section 252 (restrictions on relief) omit subsection (3).
 - (5) Omit Chapter 6 of Part 4 (which defines “the commercial letting of furnished holiday accommodation”).
 - (6) In section 748 (assets held for purposes of property business)—
 - (a) for subsection (4) substitute—
 - “(4) In subsection (1), “property business” means—
 - (a) a UK property business, or
 - (b) an overseas property business.”;
 - (b) omit subsection (5).
 - (7) In Schedule 4 (index of defined expressions) omit the entry for “commercial letting of furnished holiday accommodation (in Chapter 6 of Part 4)”.

CTA 2010

- 6 (1) CTA 2010 is amended as follows.
 - (2) Omit section 65 (UK furnished holiday lettings business treated as trade).
 - (3) Omit section 67A (EEA furnished holiday lettings business treated as trade).
 - (4) In section 188DD (limitations on relief under section 188CB: determination of claimant’s relevant maximum), in subsection (2)(a) omit sub-paragraph (vii).
 - (5) In section 188ED (limitations on relief under section 188CC: determination of claimant’s relevant maximum), in subsection (2)(a) omit sub-paragraph (vii).
 - (6) In section 269ZF (restriction of certain deductions: determination of company’s qualifying trading profits), in subsection (4)(e) omit sub-paragraph (vii).

Consequential repeals of amending provisions

- 7 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed –
- (a) in CTA 2009, paragraphs 172 and 173 of Schedule 1;
 - (b) in CTA 2010, paragraphs 602 and 603 of Schedule 1;
 - (c) in FA 2011, Part 2 of Schedule 14;
 - (d) in FA 2016, section 73(7);
 - (e) in F(No.2)A 2017, paragraph 155 of Schedule 4.

PART 3

AMENDMENTS RELATING TO CAPITAL ALLOWANCES

CAA 2001

- 8 (1) CAA 2001 is amended as follows.
- (2) Omit section 13B (use for other purposes of plant or machinery: property businesses).
 - (3) In section 15 (qualifying activities) –
 - (a) in subsection (1) –
 - (i) in paragraph (b), for “an ordinary” substitute “a”;
 - (ii) omit paragraph (c);
 - (iii) in paragraph (d) omit “ordinary”;
 - (iv) omit paragraph (da);
 - (b) in subsection (3) –
 - (i) in paragraph (a), for “an ordinary” substitute “a”;
 - (ii) in paragraph (b) omit “ordinary”.
 - (4) Omit sections 16 to 17B (which define ordinary UK, or overseas, property business and UK, or EEA, furnished holiday lettings business).
 - (5) In section 28 (qualifying expenditure: thermal insulation of buildings), in subsections (1) and (2) –
 - (a) for “an ordinary UK”, in each subsection, substitute “a UK”;
 - (b) for “an ordinary overseas”, in each subsection, substitute “an overseas”.
 - (6) In section 33 (qualifying expenditure: personal security), in subsection (8) –
 - (a) in paragraph (b), for “an ordinary” substitute “a”;
 - (b) omit paragraph (c);
 - (c) in paragraph (d) omit “ordinary”;
 - (d) omit paragraph (da).
 - (7) In section 35 (exclusion of certain expenditure on plant or machinery for use in a dwelling-house), in subsection (1) –
 - (a) in paragraph (a), for “an ordinary” substitute “a”;

- (b) in paragraph (b) omit “ordinary”.
- (8) In section 59 (unrelieved qualifying expenditure) –
 - (a) in subsection (4A), for “a relevant qualifying activity” substitute “the property business”;
 - (b) omit subsection (7A).
- (9) In section 63 (cases in which disposal value of plant or machinery is nil), in subsection (3) –
 - (a) in paragraph (b), for “an ordinary” substitute “a”;
 - (b) omit paragraph (c);
 - (c) in paragraph (d) omit “ordinary”;
 - (d) omit paragraph (da) (but not the “or” after it).
- (10) In section 248 (treatment of allowances or charges in relation to UK property businesses) –
 - (a) in the heading omit “Ordinary”;
 - (b) in the words before paragraph (a), for “an ordinary” substitute “a”.
- (11) Omit section 249 (giving effect to allowances and charges: UK furnished holiday lettings businesses).
- (12) In section 250 (treatment of allowances or charges in relation to overseas property businesses) –
 - (a) in the heading omit “Ordinary”;
 - (b) in the words before paragraph (a) omit “Ordinary”.
- (13) Omit section 250A (giving effect to allowances and charges: EEA furnished holiday lettings businesses).
- (14) In section 270CA (qualifying activities) –
 - (a) in paragraph (b), for “an ordinary” substitute “a”;
 - (b) in paragraph (c) omit “ordinary”.
- (15) Omit section 270CB (meaning of ordinary UK or overseas property business).
- (16) In section 270CG (use for the purposes of a property business), in subsection (1) –
 - (a) for “an ordinary UK” substitute “a UK”;
 - (b) for “an ordinary overseas” substitute “an overseas”.
- (17) In section 270HB (allowances to be treated as expense of property businesses) –
 - (a) in the heading omit “ordinary” in both places,
 - (b) in paragraph (a), for “an ordinary” substitute “a”;
 - (c) in paragraph (b) omit “ordinary”.
- (18) In section 536 (contributions not made by public bodies and not eligible for tax relief), in subsection (5)(a) –
 - (a) in sub-paragraph (i), for “an ordinary” substitute “a”;
 - (b) omit sub-paragraph (ii);

- (c) in sub-paragraph (iii) omit “ordinary”;
 - (d) omit sub-paragraph (iiia).
- (19) In Part 2 of Schedule 1 (defined expressions) omit the entries for—
- (a) “EEA furnished holiday lettings business”;
 - (b) “ordinary overseas property business”;
 - (c) “ordinary UK property business”;
 - (d) “UK furnished holiday lettings business”.

Consequential repeals of amending provisions

- 9 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed—
- (a) in CAA 2001, paragraph 13 of Schedule 2;
 - (b) in ITTOIA 2005, paragraphs 527 and 528 of Schedule 1;
 - (c) in CTA 2009, paragraphs 477 and 478 of Schedule 1;
 - (d) in CTA 2010, paragraph 347 of Schedule 1;
 - (e) in FA 2011, Part 3 of Schedule 14.

PART 4

AMENDMENTS RELATING TO CHARGEABLE GAINS

TCGA 1992

- 10 (1) TCGA 1992 is amended as follows.
- (2) In section 3A (gains connected to avoidance or foreign activities etc) omit subsections (3) to (5).
 - (3) In section 165A (meaning of “trading company” and “trading group”), in subsection (14), in the definition of “trade” omit “(subject to section 241(3))”.
 - (4) Omit—
 - (a) section 241 (UK furnished holiday lettings), and
 - (b) section 241A (EEA furnished holiday lettings).

Consequential repeals of amending provisions

- 11 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed—
- (a) in FA 1996, paragraph 62 of Schedule 20;
 - (b) in FA 1998—
 - (i) paragraph 62 of Schedule 5, and
 - (ii) paragraph 8 of Schedule 21;
 - (c) in FA 2002, paragraph 3 of Schedule 8;
 - (d) in ITTOIA 2005, paragraph 441 of Schedule 1;
 - (e) in ITA 2007, paragraph 325 of Schedule 1;
 - (f) in FA 2008—

- (i) paragraph 37 of Schedule 2, and
- (ii) paragraph 3 of Schedule 3;
- (g) in CTA 2009, paragraph 380 of Schedule 1 to CTA 2009;
- (h) in FA 2011, Part 4 of Schedule 14.

PART 5

COMMENCEMENT AND TRANSITIONAL PROVISION

Commencement: Parts 1 to 3

- 12 (1) The amendments made by Part 1 have effect for the purposes of income tax in relation to the tax year 2025-26 and subsequent tax years.
- (2) The amendments made by Part 2 have effect for the purposes of corporation tax in relation to accounting periods beginning on or after 1 April 2025.
- (3) The amendments made by Part 3 have effect –
- (a) for the purposes of corporation tax, in relation to accounting periods beginning on or after 1 April 2025, and
 - (b) for the purposes of income tax, in relation to periods of account beginning on or after 6 April 2025.

Commencement: Part 4

- 13 (1) The amendments made by Part 4 have effect in relation to disposals made on or after the commencement date.
- (2) The amendments made by Part 4 also have effect –
- (a) for the purposes of sections 152 to 157 of TCGA 1992 (roll-over relief on replacement of business asset), in relation to acquisitions that take place on or after the commencement date, and
 - (b) for the purposes of section 253 of TCGA 1992 (relief for loans to traders), in relation to claims for a loss to be treated as accruing to a person on or after the commencement date.
- (3) Sub-paragraph (1) is subject to paragraph 19 (business asset disposal relief: disposals relating to pre-commencement businesses).
- (4) In this paragraph, “the commencement date” means –
- (a) for the purposes of corporation tax, 1 April 2025, and
 - (b) for the purposes of capital gains tax, 6 April 2025.

Anti-forestalling: disposals under unconditional contracts

- 14 (1) Sub-paragraph (2) applies where –
- (a) an asset is disposed of under an unconditional contract made during the pre-commencement period,
 - (b) the asset is conveyed or transferred on or after the commencement date, and
 - (c) a relevant claim is made in respect of the disposal.

- (2) The amendments made by Part 4 have effect in relation to the disposal unless –
- (a) no purpose of entering into the contract was to avoid the amendments made by Part 4 having effect in relation to the disposal,
 - (b) either –
 - (i) the contract was entered into wholly for commercial reasons, or
 - (ii) the parties to the contract are not connected persons, and
 - (c) the claim includes a statement that the conditions in paragraphs (a) and (b) are met.
- (3) In this paragraph –
- “the commencement date” means –
 - (a) for the purposes of corporation tax, 1 April 2025;
 - (b) for the purposes of capital gains tax, 6 April 2025;
 - “connected persons” is to be construed in accordance with section 286 of TCGA 1992;
 - “the pre-commencement period” means the period –
 - (a) beginning with 6 March 2024, and
 - (b) ending with the day before the commencement date;
 - “relevant claim” means –
 - (a) a claim under section 152 or 153 of TCGA 1992 (roll-over relief) or a declaration under section 153A of that Act (provisional application of sections 152 and 153),
 - (b) a claim under section 165 of TCGA 1992 (relief for gifts of business assets), or
 - (c) a claim under section 169M of TCGA 1992 (business asset disposal relief).

Corporation tax: accounting periods straddling 1 April 2025

- 15 (1) This paragraph applies where a company has an accounting period beginning before, and ending on or after, 1 April 2025 (“the straddling period”).
- (2) For the purposes of this Schedule –
- (a) so much of the straddling period as falls before 1 April 2025, and so much of that period as falls on or after 1 April 2025, are treated as separate accounting periods, and
 - (b) where it is necessary to apportion an amount for the straddling period to the two separate accounting periods, it is to be apportioned –
 - (i) in accordance with section 1172 of CTA 2010 (time basis), or
 - (ii) if that method would produce a result that is unjust or unreasonable, on a just and reasonable basis.

Carry-forward of losses: income tax

- 16 (1) This paragraph applies if –
- (a) a person is treated as carrying on in the tax year 2024-25 a single trade by virtue of section 127(3) of ITA 2007 (UK furnished holiday lettings businesses) or section 127ZA(3) of that Act (EEA furnished holiday lettings businesses),
 - (b) the person has made a loss in that trade in the tax year 2024-25 or a previous tax year,
 - (c) relief for the loss has not been fully given under Chapter 2 of Part 4 of ITA 2007 (trade losses) or any other provision of the Income Tax Acts, and
 - (d) the person carries on a corresponding property business in the tax year 2025-26.
- (2) So much of the loss as has not been relieved is to be treated for the purposes of section 118 of ITA 2007 (carry forward against subsequent property business profits) as if it had been made in the corresponding property business.
- (3) In this paragraph, “corresponding property business” means –
- (a) in relation to a loss made in a trade a person is treated as carrying on by virtue of section 127(3) of ITA 2007, a UK property business (within the meaning given by section 264 of ITTOIA 2005) carried on by that person;
 - (b) in relation to a loss made in a trade a person is treated as carrying on by virtue of section 127ZA(3) of ITA 2007, an overseas property business (within the meaning given by section 265 of ITTOIA 2005) carried on by that person.

Carry-forward of losses: corporation tax

- 17 (1) This paragraph applies if –
- (a) a company is treated as carrying on in its last accounting period to begin before 1 April 2025 a single trade by virtue of –
 - (i) section 65(3) of CTA 2010 (UK furnished holiday lettings businesses) or
 - (ii) section 67A(3) of that Act (EEA furnished holiday lettings businesses),
 - (b) the company has made a loss in that trade in that accounting period or a previous one,
 - (c) but for the provision of this Schedule, all or part of the loss would fall to be carried forward under section 45 of CTA 2010 to an accounting period beginning on or after 1 April 2025, and
 - (d) the company carries on a corresponding property business in its accounting period beginning on 1 April 2025 (see paragraph 15).
- (2) The loss or the part of the loss that would otherwise fall to be carried forward as mentioned in sub-paragraph (1)(c) is to be treated for the

purposes of the relevant relieving provision as if it had been made by the company in its corresponding property business.

- (3) For the purposes of this paragraph as it applies in relation to a trade a company is treated as carrying on by virtue of section 65(3) of CTA 2010—
 - (a) “corresponding property business” means a UK property business (within the meaning given by section 205 of CTA 2009), and
 - (b) “the relevant relieving provision” means section 62(5) of CTA 2010 (relief for losses made in UK property business).
- (4) For the purposes of this paragraph as it applies in relation to a trade a company is treated as carrying on by virtue of section 67A(3) of CTA 2010—
 - (a) “corresponding property business” means an overseas property business (within the meaning given by section 206 of CTA 2009), and
 - (b) “the relevant relieving provision” means section 66(3) of CTA 2010 (relief for losses made in overseas property business).

Plant and machinery allowances

- 18 (1) This paragraph applies for the purposes of Part 2 of CAA 2001 (plant and machinery allowances) where—
 - (a) immediately before the end of a person’s pre-commencement chargeable period, the person is carrying on an FHL qualifying activity, and
 - (b) at the start of the person’s post-commencement chargeable period, the person is carrying on the corresponding property activity.
- (2) The amount of any allowance or charge arising in the person’s post-commencement chargeable period or any subsequent chargeable period is to be calculated as if anything done by or to the person in carrying on the FHL qualifying activity had been done by or to the person in carrying on the corresponding property activity.
- (3) In particular—
 - (a) where plant or machinery is in use for the purposes of the FHL qualifying activity immediately before the end of the person’s pre-commencement chargeable period—
 - (i) the plant or machinery is to be treated as if it had been brought into use for the purposes of the corresponding property activity on the day on which it was brought into use for the purposes of the FHL qualifying activity, and
 - (ii) its use for the purposes of the FHL qualifying activity is to be disregarded.
 - (b) where the person has unrelieved qualifying expenditure (within the meaning given by section 59 of CAA 2001) to carry forward from the person’s pre-commencement chargeable period in a pool for an FHL qualifying activity, the expenditure is to be—

- (i) carried forward to the person’s post-commencement chargeable period, and
 - (ii) allocated to the appropriate pool for the corresponding property activity;
- (4) Accordingly, the person is not to be taken, by reason only of the effect of the amendments made by this Schedule, as having –
- (a) brought plant or machinery into use, or ceased to use plant or machinery, for the purposes of a qualifying activity, or
 - (b) permanently discontinued a qualifying activity.
- (5) Section 35 of CAA 2001 (expenditure on plant or machinery for use in dwelling-house not qualifying expenditure) does not apply to expenditure carried forward in accordance with sub-paragraph (3)(b)(i).
- (6) In this paragraph –
- “FHL qualifying activity” means a UK furnished holiday lettings business or an EEA furnished holiday lettings business;
 - “the corresponding property activity” means –
 - (a) in relation to a UK furnished holiday lettings business carried on by a person, a UK property business carried on by that person, and
 - (b) in relation to an EEA furnished holiday lettings business carried on by a person, an overseas property business carried on by that person;
 - “pre-commencement chargeable period” means –
 - (a) for corporation tax purposes, a company’s last accounting period to begin before 1 April 2025, and
 - (b) for income tax purposes, the tax year 2024-25;
 - “post-commencement chargeable period” means –
 - (a) for corporation tax purposes, the accounting period beginning on 1 April 2025 (see paragraph 15), and
 - (b) for income tax purposes, the tax year 2025-26.
- (7) Expressions used in sub-paragraph (6) have the same meaning as in Part 2 of CAA 2001.

Business asset disposal relief: disposals relating to pre-commencement businesses

- 19 The amendments made by this Schedule do not have effect in relation to a disposal made on or after 6 April 2025 if it is –
- (a) a disposal of business assets within section 169I(2)(b) of TCGA 1992 (assets used for purposes of business) where the date on which the business ceases to be carried on is before 6 April 2025;
 - (b) a disposal of business assets within section 169I(2)(c) of TCGA 1992 (shares in or securities of a company) where –
 - (i) the disposal is a material disposal by virtue of condition B in section 169I(7) of that Act or condition D in section 169I(7B) of that Act, and

- (ii) the period of 2 years mentioned in condition B or condition D (as the case may be) ends before 6 April 2025;
- (c) a disposal of trust business assets within section 169J(1) of TCGA 1992 where the settlement business assets are—
 - (i) assets consisting of (or of interests in) shares in or securities of a company in relation to which the period of 2 years mentioned in section 169J(4) of that Act ends before 6 April 2025, or
 - (ii) assets (or interests in assets) used or previously used for the purposes of a business in relation to which the period of 2 years mentioned in section 169J(5) of that Act ends before 6 April 2025;
- (d) a disposal associated with a relevant material disposal within section 169K(1) of TCGA 1992, where the date of the material disposal of business assets with which the disposal is associated is before 6 April 2025.

Post-commencement disposals by companies with substantial shareholding

- 20 (1) Paragraph 3 of Schedule 7AC to TCGA 1992 (exemptions for disposals by companies with substantial shareholding: main conditions previously met) has effect in relation to a disposal made on or after 1 April 2025 in accordance with sub-paragraph (2).
- (2) In determining whether the condition in sub-paragraph (2)(d) of that paragraph of that Schedule is met, sections 241 and 241A of TCGA 1992 (commercial letting of furnished holiday accommodation to be treated as a trade) are to be disregarded.