Call: **01424 730000**
Email: info@mcphersons.co.uk
www.mcphersons.co.uk

McPhersons Property Factsheet

Welcome to our latest monthly factsheet. We hope you find it useful. Please contact us if you wish to discuss any issues further.

November 2022

Why you should not buy a holiday let if you intend to stay in it

Holiday lets are a great investment and offer several benefits including Capital Gains Tax relief and capital allowances for furniture and fixtures. However, there are strict letting conditions, and if you intend to stay in the property for part of the year, this could mean that the property no longer qualifies as a holiday let.

Let's take a look at some taxes that might become payable by staying in your holiday let. These do not apply if you do not stay in the property.

ATED

Annual Tax on Enveloped Dwellings (ATED) is a tax that companies must pay if their UK residential property value exceeds £500,000. The tax is payable by companies that own such a dwelling and the amount of tax payable depends on the property's value.

You will need to complete an annual ATED return if the property is located in the UK, is considered a 'dwelling' (a sufficiently self-contained unit), is valued at more than £500,000 and is owned completely or partly by a company, partnership or collective investment scheme.

The chargeable amounts for the 2022/23 tax year are as follows:

Property value	Yearly charge
£500,000 - £1 million	£3,800
£1 million - £2 million	£7,700
£2 million - £5 million	£26,050
£5 million - £10 million	£60,900
£10 million - £20 million	£122,250
More than £20 million	£244,750

Benefit in Kind

Benefits in kind (BIK) are benefits that directors or employees receive from their company that are not included in their salary. This may include property and living accommodation benefits.

If a company purchased a holiday let for its director(s), you should check how much tax you will need to pay and for how much of the year it applies. You can find a detailed example below.

Example

An HMRC example of a BIK case can be found in EIM11421. To sum up, a UK company purchases a flat in France for £200,000. The market rental price for the property would be £500 per week during the 6-month skiing season and £100 per week during the rest of the year. A husband and wife who are both directors of the company use the flat for holidays 4 weeks per year (3 weeks during ski season and 1 week during the slow season). The sole reason the property was bought was as a holiday home for the couple and it has only been used as such.

Because the flat was habitable for the entire year, HMRC would seek a benefit measured on availability for the whole year (even though they only use it for 4 weeks).

Therefore, a cash equivalent for the tax year, under Section 106 ITEPA 2003, would be **£15,600**. This is calculated as 6 months of ski season at £500/week (£13,000) and 6 months off-season at £100/week (£2,600).

If the property was personally owned, different tax rules would apply and the bill would be significantly lower.

Please contact us if you would like to know more about ATED and any exemptions that may apply. We can advise you on the best (and most tax-effective) way to proceed.

Please contact Dan Cruikshank, Chartered Tax Advisor, with any property tax questions on d.cruikshank@mcphersons.co.uk