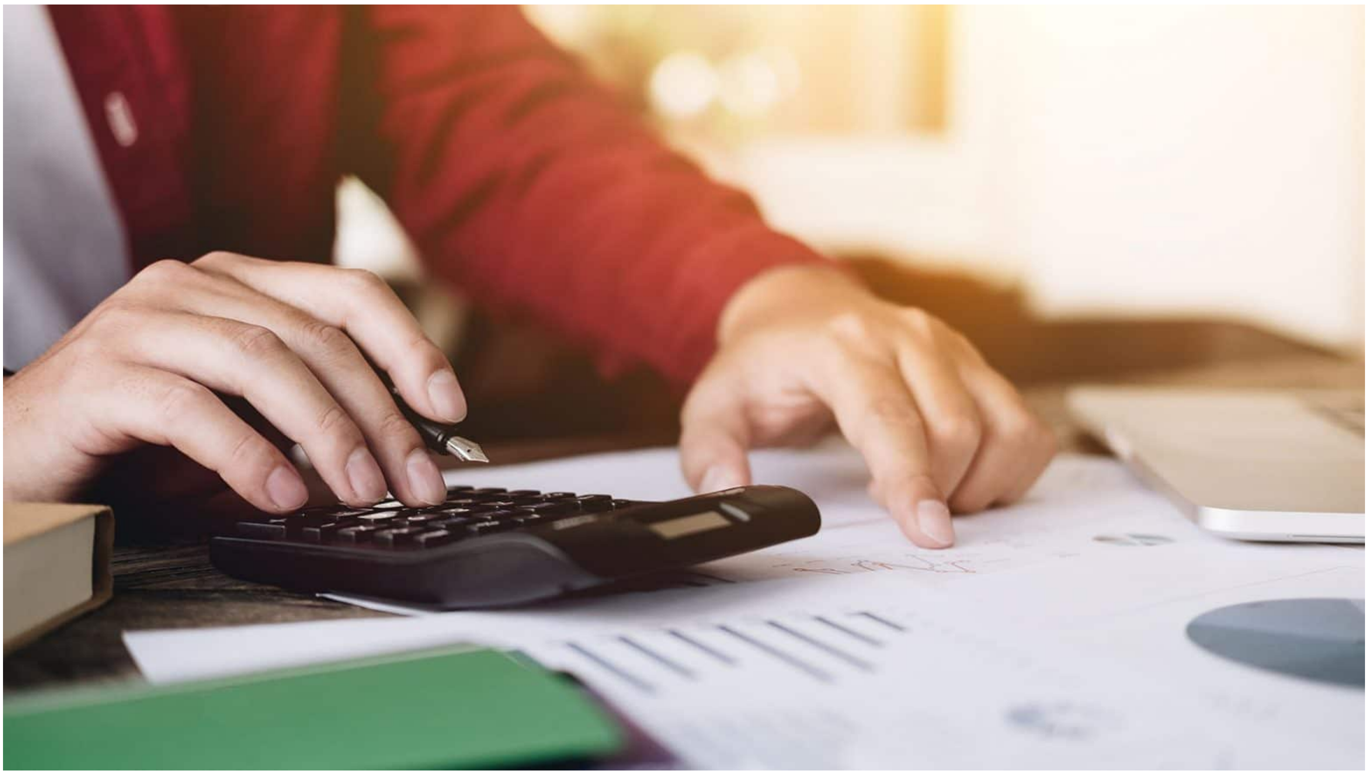
Budget in brief: the residential property market



Jeremy Hunt presented his Spring Budget to a highly charged House of Commons last week. Here we discuss a few of the announcements impacting the residential property market.

Furnished holiday lets

The abolition of the furnished holiday letting allowances with effect from 6 April 2025 is set to put pressure on an already struggling market.

When the relief was removed from ASTs it was retained for furnished holiday lets meaning that there was a different regime for those letting on a long term basis as against holiday lets – the policy intention being to encourage tourism. During COVID many people spent their holidays in the UK and some property owners decided to rent out their properties as holiday lets such was the demand. Now that people are heading abroad again there is significant saturation of the market in many popular areas including the Lake District, Cornwall and Devon with many reporting that they have significant vacant periods and are struggling to meet the 105 day requirement for lettings.

The government needed to find a way to fund their other tax cuts, with National Insurance cuts of 2% for the employed and self-employed from 6 April 2024 expected to cost £10 billion each year; residential property is helping it fund the gap. Suggestions that this change will raise £30 – £50m have been dismissed by the Professional Association of Self Caterers (PASC) who think it will be significantly lower but whatever the final sum it adds pressure to the owners of the 127,000 properties affected. It is likely that already struggling holiday let owners might consider gifting the property as part of succession planning, selling on or switching back to longer term tenancies before these changes come into effect in April next year.

The changes to the regime mean that owners will no longer be able to offset mortgage interest, rollover relief on sale will be abolished and profits will no longer be treated as earnings for pension purposes.

Multiple dwelling relief

Another key element of the budget which will affect residential property owners is the abolition of relief on stamp duty on the purchase of multiple dwellings which comes into force on 1 June 2024. Property transactions with contracts that were exchanged on or before 6 March 2024 will continue to benefit from the relief regardless of when they complete as will any other purchases that are completed before 1 June 2024.

Overall, this is not good news for property investors thinking of purchasing any portfolios being sold on by beleaguered owners, so it is a lose – lose situation.

Capital gains

On a more positive note, capital gains tax for second homeowners will fall from 28% to 24% from 6 April 2024 which means that anybody selling their furnished holiday let will benefit in some small way. It is hoped that this measure will support the housing market encouraging landlords and second-home owners to sell their properties thereby increasing housing supply for those seeking to get onto the housing ladder.

How we can help

The key announcements had been trailed in the press in the lead up to the budget so there were few surprises.

If you have any questions on anything contained in this article or leasehold property generally, please contact our residential property team.

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