Tax incentives for Short-Term Lets & how there is still time to benefit!

Advice from ASAP Professional Services and Consultancy Supplier Member Zeal:
Claim your Capital Allowances entitlement, before it's too late. The clock is ticking!

2025 has seen the biggest change in tax rules for short-term lets in over 40 years. From 6th April 2025 (1st April for limited companies), the special tax rules for short-term lets were abolished. This means short-term lets will now be taxed under the same rules as long terms lets.

The key changes are:

- Interest on finance costs can no longer be deducted from income. A tax reducer limited to 20% of the interest costs will now be claimed.
- Capital Gains Tax (CGT) reliefs have been withdrawn.
- Income from jointly held property must now be shared equally.
- Profits from short-term letting are no longer classed as 'relevant earnings' for pension contributions.
- CAPITAL ALLOWANCES can no longer be claimed.

Capital Allowances for Serviced Accommodation

Capital allowances provide tax relief for qualifying Plant & Machinery ("P&M") assets that are used in a business. The most common examples for short-term lets are furniture, furnishings, equipment and of course, hot tubs.

Many Serviced Accommodation ("SA") owners are unaware that there is an extra level of capital allowances that can be claimed on the 'embedded fixtures' within the fabric of the building. Essentially, these are items that would not fall out if the building was turned upside down. *Embedded fixtures* include electrical, heating and ventilation systems, kitchens, bathrooms, water and disposal pipework, carpets, alarm systems, telecommunications and more.

As a complex area of UK tax legislation, quantity surveying expertise and specialist capital allowances knowledge is required to identify and claim qualifying expenditure. It is therefore **not a tax relief an accountant can typically claim.** You need a specialist like Zeal!

On average, **20%-40%** of the original costs incurred to purchase, construct, convert or refurbish a property is identified in unclaimed capital allowances. This generates thousands of pounds in tax savings which can be used to mitigate future HMRC payments for years to come. In most cases, owners also receive a cash rebate from HMRC for tax they have unknowingly overpaid.

An estimated 80% of SA property owners are sitting on thousands of pounds in unclaimed capital allowances . . . and time is running out to claim! Any entitlement not claimed before the deadline will be lost forever.

Claim Before It's Too Late !

If you spent money to purchase, refurbish or build your property and started letting before April 2025, it is not too late to claim capital allowances. Even if you purchased the property or spent money to improve or develop it many years ago, you can still make a claim now.

As the last opportunity for owners to make a capital allowances claim is in their 2024/25 tax return, it is essential to act now. Check you have not missed a capital allowances claim, or risk losing valuable tax and cash savings forever.

Below are some examples of how some Zeal has unlocked missed tax savings for owners:

Making a Capital Allowances claim with Zeal

Zeal have been unlocking missed capital allowances for short-term let owners for almost a decade. In 2024 alone, Zeal unlocked over **£8.4 million pounds** of unclaimed tax savings!

To find out if you are missing out on tax relief, Zeal are offering a free capital allowances review to ASAP members and their clients. Arrange yours here.

You can also contact the team at Zeal by via contactus@gozeal.co.uk or 01144 420766.

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Want to Know More About The Tax Changes or Capital Allowances?

ASAP Members can access a whole host of useful tax information on Zeal's Tax Resources Hub – for free! From Zeal's comprehensive Tax Changes eBook (and how to mitigate the impact on your business) and Guide to Capital Allowances, to help with Making Tax Digital, Tax-Deductible Expenses, tax efficiency and more.

Sign up to Zeal's Tax Resources Hub for Short-Term Let Owners here.