



Long stays in holiday lets

This factsheet considers the impact of allowing longer term lets (more than 28 days) in your holiday property.

Furnished holiday lettings

Firstly, we'll look at the ramifications of allowing a longer-term let in a **Furnished Holiday Letting (FHL)**. For these purposes, a longer-term let is 31 days or more.

In order to qualify as an FHL and enjoy the beneficial tax treatment, a property must pass three 'occupancy' conditions in a tax year:

The pattern of occupation condition – The total of all lettings that exceed 31 continuous days must not be more than 155 days during the year.

The availability condition – The property must be available for letting as furnished holiday accommodation for at least 210 days in the year.

The letting condition – The property must be let commercially as furnished holiday accommodation to the public for at least 105 days in the year. For these purposes, longer-term lets of more than 31 days are not counted, unless the 31 days is exceeded because something unforeseen happens, for example, the holidaymaker either falls ill or has an accident, and cannot leave on time or has to extend their holiday due to a delayed flight. It's worth remembering that there are two easements – the averaging election and the period of grace election – that can help you to pass this condition.

It can be seen that lets of 31 days or more can affect two of the three above conditions.

Value Added Tax

Secondly, we'll consider the VAT implications of longer-term stays. Income from holiday accommodation is subject to VAT at the standard rate of 20%. This applies to holiday lettings that are advertised as being suitable

for holiday or leisure purposes. In addition, accommodation in 'hotels, inns, boarding houses or similar establishments' is standard rated, as is the supply of chalets, tents and caravans and pitches for tents and caravans.

The reduced value rule for long stays

The reduced value rule is an easement that reduces the amount of VAT charged to guests who stay in 'hotels, inns, boarding houses or similar establishments' for stays lasting more than 28 consecutive days. It does not apply to long stays in other types of accommodation, such as FHLs, although it does apply to supplies of serviced apartments.

How the reduced value rule works

From day 29 of the long stay, no VAT is charged on the accommodation element of the fee. This means that any element of the fee that relates to food, drink and other services remains subject to VAT. Also, after charges for food and drink are removed, 20% of the remainder is deemed to be in respect of service charges and is also subject to VAT. In cases where the customer has no food or drink, 20% of the selling price is subject to VAT at the standard rate, giving an effective rate of 4% (20% of 20%).

The portion of the fee that is not subject to VAT is not VAT-exempt; it is deemed to be taxable for the purposes of reclaiming input tax. Input tax cannot be reclaimed if it were incurred in respect of exempt supplies, so this is an important distinction.

Further information

Information on the FHL conditions can be found here:
<https://www.gov.uk/government/publications/furnished-holiday-lettings-hs253-self-assessment-helpsheet/h253-furnished-holiday-lettings-2023>

Information on the reduced value rule can be found here:
<https://www.gov.uk/guidance/hotels-holiday-accommodation-and-vat-notice-7093>