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Huge tax breaks for French property owners on furnished holiday let properties.

Owners and prospective buyers of French property may find it possible to save considerable sums of money through claiming tax relief called Capital Allowances on furnished holiday let properties.

The tax relief known as 'Furnished Holiday Lettings' ('FHL') has been under government scrutiny with plans to tighten up the tax rules. Finally draft legislation has been published setting out the future tax treatment of an FHL business.

The complex rules contain three nuggets of important information. Firstly, the FHL rules offer some very generous tax treatment for properties meeting the 'qualifying criteria'. Secondly, a significant part of the purchase price paid can be recovered through a combination of 'loss relief' and claiming 'capital allowances'. Thirdly, the FHL rules apply to holiday properties in all 32 countries across the EEA and applies both to properties acquired in the past and those bought in the future. In many cases, the result is a refund of taxes paid in previous years on total income including tax on employment income; in effect a 'cashback' on property expenditure.

Joanna Yellowlees-Bound, CEO of Erna Low Property has sought specialist advice from expert Quintin Bull and is now going through the claim process herself: "This tax break is helping me claim back substantial Capital Allowances on the apartment in The Alps owned by my family – it's saving us a huge amount of tax. To give an idea of the potential tax savings, take an apartment bought in 2008 for €500,000. For a higher rate UK tax payer, the tax saving is around £35,000. Approximately £15,000 can be repaid by the tax authorities from tax paid previously, with the balance saving tax which would otherwise be paid in the future."

The calculation of these Capital Allowances and 'loss relief' is a highly specialist area requiring expert advice. Hence many tax advisors have not informed their clients. It is a general tax relief not a tax avoidance scheme. As of April 2011 many of the tax benefits are to be reduced, and in some cases the savings are higher if claims are submitted by the end of January 2011. As a result, urgent action is critical to maximise potential savings.

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Notes to Editors:

Tax savings noted in this e-mail will be dependent on the personal circumstances of the individual. The experts in this field can estimate the benefit for them and they will also liaise with their accountant /tax advisor (if they have one) or show them how to claim (if they don't)."

Erna Low Property – The property arm of this long-standing ski holiday specialist company was set up in 2003. The company offers an extensive portfolio of ski properties for sale across the world, with a strong focus on France, where an variety of ski apartments and chalets are available across top resorts such as the Three Valleys, Val d'Isere, Arc 1950, La Plagne & Morzine. Additionally, the company has expanded its portfolio to include an array of property across the South of France as part of the 'Erna Low Sun Collection'. Erna Low Property offers expert advice and guidance on purchasing property from off-plan apartments to freehold villas.

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