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**PRIVATE & CONFIDENTIAL**

The Chancellor of the Exchequer  
Rt Hon Alistair Darling MP  
HM Treasury  
Horse Guards Road  
London  
SW1A 2HQ

Dear Chancellor

**TAX TREATMENT OF FURNISHED HOLIDAY LET BUSINESSES**

Proposals that you announced at the time of your recent Budget statement, to remove long-standing tax reliefs for owners of furnished-holiday-let properties, would do immense damage to the South West's economy.

Those proposals will force the owners of 61,915 self-catering properties in this region to re-visit the financial viability of their furnished-holiday-let businesses. For decades, the tax reliefs have been a significant factor in enabling them to invest in their properties and smooth out the huge variations in letting-income from one year to the next in a region so dependent on the vagaries of the British climate.

Their properties, comprising 18,585 self-catering units, 24,282 static caravans, and 19,048 second homes, represent a major proportion of the South West's accommodation infrastructure.

Based on lettings of just 16 weeks per year, with an average of four beds per property, the affected furnished-holiday-let properties represent accommodation for 3.95 million visitors to this region each year.

South West Tourism's records for 2007 show that more than £1.34 billion was generated for the region by visitors staying in these self-catering, static caravans, and second homes. That agency's studies indicate that every one of these visitors spends an average of £302 – a crucial source of income for the region's shops, attractions, and restaurants etc.

Your surprise announcement (there had been no prior hint of this proposal – and certainly no consultation) could not have come at a worse time for the South West's vital tourism sector. Having suffered two weather-ruined years in succession, everyone involved in this region's tourism sector is already worried about the future. Proposals to remove tax reliefs for furnished-holiday-let properties could severely reduce the volume of self-catering beds available, the number of visitors the region, and the revenue that they generate for the region's economy.

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## **The Chancellor of the Exchequer.....2/**

In line with the concept of “joined-up Government”, I have copied this letter to your Financial Secretary, your Exchequer Secretary, and the Minister for the South West, because the issues I raise have direct relevance to their ministerial responsibilities.

I understand the Government’s frustration at losing a recent legal judgement over the tax-treatment of holiday homes owned outside the UK. But that, surely, can be no justification for what might be seen as a spiteful retaliation against holiday-home owners within the UK.

As the accountancy firm with the widest spread of offices throughout the South West, we represent many of the region’s tourism businesses. There can be no suggestion that those receiving tax reliefs for furnished-holiday-lets are not bona-fide holiday-letting businesses. Government introduced strict rules on minimum genuine letting periods back in the 1980s, which have been very effective in preventing abuse.

One local MP has suggested that the tax proposal is a good idea, as a means of encouraging second-home owners to switch from holiday letting to much needed residential letting. That will not happen: far more likely is that many of these properties will be put on the market and bought as yet more second homes that remain empty for most of the year.

The press have reported the Treasury as stating that “there is no way back” from the intended repeal of these reliefs.

If this is the case, and matters are bound up with the ruling that sweeps in non-UK properties, then may I suggest that introducing a substantially higher qualifying letting availability threshold coupled with more stringent review of loss making enterprises would eliminate fears concerning properties merely operating as tax deductible second homes.

If no amendments of this nature are negotiable, then I should like to suggest that as a minimum the present reliefs are maintained for multiple unit enterprises clearly being run as holiday trades.

Many thousands of people in this region – and in other regions that also rely on tourism for their economy – will be hoping that a careful re-appraisal of this tax proposal will see it rejected.

Yours sincerely

Brian Payne  
**Chief Executive**

cc: Rt Hon Stephen Timms MP

Rt Hon Ben Bradshaw MP