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Joint ownership of holiday lets

The abolition of the Furnished Holiday Lettings (FHL) tax regime from 6 April 2025 has changed how income from holiday properties is taxed. Holiday lets are now generally treated in the same way as other UK property businesses. As a result, landlords who own holiday lets jointly may wish to review how rental profits are shared between owners to ensure profits are taxed on the person who is entitled to them.

This is particularly important with the introduction of Making Tax Digital (MTD) for Income Tax, which will require many landlords to keep digital records and submit more frequent updates to HMRC. Ensuring ownership arrangements are correctly documented can help avoid reporting issues and unnecessary tax liabilities.

Married couples and civil partners

For income tax purposes, HMRC normally assumes that jointly-held property owned by spouses or civil partners is owned equally. This means rental profits are usually taxed 50:50, regardless of the actual ownership proportions. However, spouses and civil partners can elect to be taxed according to their actual beneficial ownership interests. For example, if one spouse owns 80% of the beneficial interest and the other owns 20%, rental profits can be taxed on that basis.

To achieve this, two conditions must be met:

1. The beneficial ownership of the property must genuinely reflect the intended ownership percentages.
2. Form 17 must be submitted to HMRC.

Form 17 is a declaration that the beneficial ownership differs from the default 50:50 split. It must be accompanied by evidence of the beneficial interests, such as a declaration of trust.

The form must be submitted within 60 days of being signed. If Form 17 is not filed, HMRC will normally continue to tax the income on a 50:50 basis, regardless of the actual ownership arrangement.

Unmarried couples

The rules are different for unmarried couples.

There is no automatic 50:50 income tax split for unmarried joint owners. Instead, rental income is generally taxed according to each person's beneficial ownership of the property.

As a result, unmarried couples do not use Form 17.

Provided the beneficial ownership interests are clearly established, profits can be split according to those interests without notifying HMRC using a specific form. A properly drafted agreement or declaration of trust is usually sufficient evidence of the ownership percentages.

For example, if one partner owns 90% of the beneficial interest and the other owns 10%, rental profits would normally be taxed in those proportions.

As with married couples, it is important that the legal documentation accurately reflects the intended ownership arrangements and that records are retained in case HMRC requests evidence.

Why this matters now

Many former FHL owners are reviewing their tax position following the withdrawal of FHL tax advantages. If one owner pays tax at a lower rate than the other, changing the beneficial ownership split may help align taxable income with family tax planning objectives.

However, ownership changes can have wider implications, including capital gains tax, stamp duty land tax and mortgage lender requirements. Professional advice should be obtained before making any changes.

Further information

More information on jointly-held property can be found in HMRC's Property Income Manual here: https://www.gov.uk/hmrc-internal-manuals/property-income-manual/pim1035

Form 17 can be found here: https://www.gov.uk/government/publications/income-tax-declaration-of-beneficial-interests-in-joint-property-and-income-17

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