

Around 10% of people in the UK currently own a second property, either in the UK or overseas. Most of these properties are buy-to-lets, though a proportion are holiday homes, holiday lets or second homes.

The property that you consider your main home is known as your primary residence (or your Principal Private Residence from a tax perspective). Any additional property you own (including buy-to-let property) is known as a Secondary Residence.

## TAX IMPLICATIONS

**STAMP DUTY** – or to give it the full title, Stamp Duty Land Tax (SDLT) – is a tax paid when you purchase any property or land.

When you buy a secondary residence, under current legislation, you have to pay an extra 3% surcharge on top of the usual stamp duty. Unlike first home stamp duty, it includes properties under the value of £125,000.

Anyone owning two homes because they have bought a new one, but not yet sold the old home, will have to pay the 3% surcharge. However, if the old home is sold within three years, the 3% will be refunded unless in exceptional circumstances.

**SECOND HOMES** – for the purposes of the stamp duty surcharge – are homes other than a main residence whether they are let or not. It does not matter if a main residence is overseas because a second home in the UK will still be subject to the stamp duty surcharge.

Stamp duty is not payable on caravans, mobile homes or houseboats.

A furnished holiday let that is available to holidaymakers for a minimum of 210 days per year is classed as a business. This means that you can deduct all of your expenses from your rental income before you are assessed for tax. That even includes the interest you pay on your mortgage.

A secondary residence is also subject to Capital Gains Tax (CGT) when you sell it, if its value has increased since you bought it. Only the growth in value is taxed, and your available CGT allowance will reduce the taxable amount.

## ADVANTAGE OF A SECOND HOME

If rented out the property can provide extra income which can be offset against a mortgage or running costs.

The property may appreciate during the time of ownership, particularly if it is in an improving neighbourhood.

You may pay less council tax on a second home as some local authorities offer a discount and most offer a 10% reduction.

Whether your family takes a few trips each summer, or you're a retiree who wants to spend several months each year in a more desirable climate and location, you can use your second property as a holiday home.

