



Eich cyf/Your ref: P-06-1289

Ein cyf/Our ref: RE-00538-22

Jack Sargeant MS
Chair – Petitions Committee
Senedd Cymru
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11 July 2022

Dear Jack,

Thank you for your letter in relation to a petition to change the recently increased letting criteria used to classify self-catering properties for local tax purposes. I am responding as local taxation policy falls within my portfolio. Thank you for the opportunity to provide my views before the Petitions Committee considers the matter.

Views on the policy behind these plans were invited as part of a 12-week [consultation](#) which looked at local taxes for second homes and self-catering accommodation. The consultation was open from 25 August to 17 November 2021 and received almost 1,000 responses. A summary of responses was published on 1 March.

The views conveyed in response to the consultation, including those from respondents representing the wider tourism industry, clearly support a change to the criteria for self-catering accommodation to be classified as non-domestic. Respondents were of the view that the majority of genuine holiday accommodation businesses would be able to satisfy increased letting thresholds, and a wide range of possible alternatives was suggested. The most common specific suggestion was 105 days actually let, but many respondents suggested higher figures. Some respondents were of the view that all properties providing living accommodation should be classified as domestic and liable for council tax, or suggested letting criteria so high that they would have the same effect.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The Welsh Government is not duty bound to accept the most common specific response to a consultation. The new thresholds take account of the responses to the recent consultation, and factors such as the operation of the current thresholds and the thresholds applied for other purposes. The Welsh Government is of the view that properties let out as self-catering accommodation on an infrequent basis should be liable for council tax. The increased letting criteria will ensure that self-catering properties are classed as non-domestic only if they are being used for business purposes for the majority of the year. This will provide a clearer demonstration that the properties concerned are being let regularly and are making a substantial contribution to the local economy.

I, therefore, announced an increase to the number of days, within any 12-month period, that a self-catering property is required to be made available to let, from 140 to 252 days, and actually let, from 70 to 182 days. A [technical consultation](#) on the draft Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022 ran from 1 March to 12 April 2022. The consultation sought views on the clarity and practical application of the draft legislation. A summary of responses has been published.

The technical consultation received 499 responses. The vast majority were from self-catering property owners and representative bodies who stated that the criteria of 182 days actually let is too high. The response to the technical consultation was, therefore, very sector-specific, capturing only part of the broader set of stakeholders which responded to the previous policy consultation. This is generally expected for technical consultations, which mainly attract responses from stakeholders for whom the relevant legislation will be directly applicable.

On 24 May 2022, I [confirmed](#) that the Welsh Government has made the legislation as drafted and consulted upon. The legislation was subject to a motion to annul, which was debated in the Senedd on 6 July 2022. The Senedd voted against the motion, confirming support for the changes. Any further debate could only replicate that which has already taken place.

The legislation came into force on 14 June 2022 and will have practical effect from 1 April 2023. I recognise the strength of feeling among self-catering operators and I have listened to the representations from individual businesses and industry representative bodies. There is limited evidence available in relation to some of these considerations and the additional information provided by the sector has been welcomed. This has been taken into account in completing the Explanatory Memorandum and Regulatory Impact Assessment, which makes use of the available evidence and is [published](#) alongside the legislation.

The Welsh Government recognises that some businesses do not currently meet the increased criteria for days actually let, and that they consider it may be difficult to do so. There is, however, evidence that average occupancy of self-catering properties exceeded 50% over the three years prior to the pandemic. Many operators, in all parts of Wales, are already meeting the new criteria. We also consider it reasonable to expect genuine businesses to adopt a flexible operating model which maximises occupancy and economic contribution for as much of the year as possible.

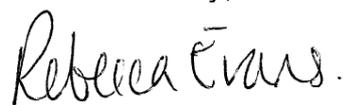
If properties are not occupied for the majority of the year, then they will make a more direct economic contribution to the communities in which they own property, through council tax.

I consider that our changes will help to strike the right balance between capacity within the self-catering tourism sector, and the economic benefits that brings, and supporting viable communities of local residents to live and work in these areas. The occupancy challenge should be considered in the context of the wider package of measures which form our three-pronged approach to tackling the impact of second homes and holiday lets on communities in parts of Wales. Where second home owners let out their homes on an occasional and casual basis, they enter into direct competition with these same genuine businesses. We know that businesses providing self-catering accommodation share our concerns about the number and quality of casual operators entering the sector, and support proposals for a statutory registration scheme.

Our local taxation changes form part of the Welsh Government's three-pronged approach to tackling the issues that can arise from large numbers of second homes in communities and to helping people to live affordably in their local areas. As part of the Co-operation Agreement, we are taking immediate action. The approach comprises a package of measures to provide support, make improvements to the regulatory framework, and ensure people make a fair contribution through the local and devolved tax systems.

The package includes the consideration of a range of options for enabling empty and underused properties to be brought back into use, increasing the availability of affordable housing and driving up standards. The Welsh Government is also working closely with the tourism sector to develop a system for the registration of tourist accommodation to ensure a level playing field for tourism businesses, provide clarity and assurance for visitors, and improve our understanding of the tourism offer.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a large initial 'R'.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol

Minister for Finance and Local Government

