

# Petition: Review the decision allowing local authorities to increase council tax premiums on second homes to 300%

Y Pwyllgor Deisebau | 17 Hydref 2022

Reference: SR22/3945-1

Petition Number: P-06-1300

Petition title: Review the decision allowing local authorities to increase council tax premiums on second homes to 300%

Text of petition: I'm concerned that the significant contribution second homeowners make to the local economy have not been fully considered and explored in relation to this policy. Whilst appreciating that there is a challenge to ensure that there is affordable housing for local people, placing such a financial burden on second homeowners is not the answer.

As second homeowners who spend every weekend in our second home, we feel part of the community and have been warmly welcomed.

## More details

We spend our money locally when we visit, including employing local people to build our home. The amount second homeowners contribute cannot be underestimated.

Many second homeowners weren't aware of the Welsh Government consultation ending in November 2021 and therefore feel our voices and concerns have not been heard.



# 1. Background

The term “second home” is commonly used to refer to a property which isn’t a person’s main residence but is used occasionally by the owner, their family and friends. For council tax purposes, Section 12B of the Local Government Finance Act 1992 (“the 1992 Act”), refers not to second homes but instead to dwellings occupied periodically. To meet this definition there are two conditions that must be met: there must be no permanent resident of the dwelling and the dwelling must be substantially furnished.

There’s not always a clear distinction between second homes retained for personal use and those used occasionally or regularly for short-term lets. Sometimes the term “holiday homes” is used to cover both types of property. Where a property is used to provide self-catering accommodation for short-term lets, it may be registered for business (non-domestic) rates if it meets certain criteria. If it is registered for business rates, it will not be subject to a council tax premium.

As of January 2022, there were 23,974 second homes in Wales, according to council tax data. Second homes are distributed unevenly across Wales, making up a relatively high concentration of the housing stock in areas popular with holidaymakers, such as Gwynedd, Anglesey and Pembrokeshire.

Campaigners argue that the spread of second homes is contributing greatly to the housing crisis experienced in rural and coastal areas, as the buying up of secondary properties limits local housing stock. Concerns have also been raised around the effects of second homeownership on community sustainability, as local people may be priced out of their communities and local businesses and services forced to close due to loss of regular revenue. The popularity of second homes in largely Welsh-speaking areas has also led to fears around the survival of the Welsh language in its traditional heartlands.

However, the issue of second homes is complex. Stakeholders in the tourism and hospitality sectors point to the importance of second homes to maintaining the visitor economy in West and North-West Wales. Others have cautioned against treating the above problems as being caused solely by second homeownership, arguing instead that greater research should be carried out before legislation is passed.

The Welsh Government pledged to tackle the second homes issue in Wales as part of its [2021 Co-operation Agreement](#) with Plaid Cymru.

## 2. Welsh Government action

In March 2021, Dr Simon Brooks published a report, [Second homes: developing new policies in Wales](#). The Welsh Government had asked Dr Brooks to look at policy issues regarding second homes. One of Dr Brooks' recommendations was that local authorities that consider second homes to be a "serious social problem" should charge the maximum council tax premium.

In July 2021, the Minister for Climate Change announced that the Welsh Government would adopt a ['three-pronged' approach](#) to addressing second homes. This would focus on housing supply, taxation and planning reform.

The *Housing Act (Wales) 2014* ("the 2014 Act") permitted local authorities to [charge a council tax](#) premium of up to 100% on second homes, with the measure taking effect on 1 April 2017. In March 2022, following a [consultation](#), the Welsh Government made the [Council Tax \(Long-term Empty Dwellings and Dwellings Occupied Periodically\) \(Wales\) Regulations 2022](#), which increased the maximum possible premium charged on second homes to 300%. This comes into effect on 1 April 2023. A summary of consultation responses can be viewed [here](#).

Local authorities can determine whether to charge a premium and also set the level of the premium. Of the nine councils currently charging a premium on second homes, only [three are charging the full 100%](#) for the 2022-23 tax year: Gwynedd, Pembrokeshire and Swansea.

The increase in the maximum council tax premium was accompanied by [complementary legislation](#) increasing the number of days that a property must be let out in order to qualify for business rates. The Minister for Finance and Local Government [stated](#) that this accompanying measure is designed to ensure that business rates are applied only to 'genuine businesses which are making a more substantial contribution to the local economy than the existing criteria require' and thus deter second homeowners from simply registering their properties as short-term lets to avoid the new premium.

The Minister for Finance and Local Government has written to the Chair of the Petitions Committee in response to this petition. In her letter, the Minister outlined the opportunities stakeholders had received to contribute to the

consultation process on tax reform. She also stressed that the decision to charge the full 300% premium was entirely down to individual local authorities.

### 3. Welsh Parliament action

The Local Government and Housing Committee [met with stakeholders](#) on 9 March 2022 as part of their inquiry into the Welsh Government's ongoing action on second homes. The 300% premium was a key issue discussed.

Following their enquiry, the Committee produced a [report](#) assessing the Welsh Government's response to the second homes issue and the body of evidence available to policymakers. This report was published in June 2022 and [debated in plenary](#) on 5 October.

The *Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022* were [debated](#) and agreed by the Senedd on 22 March.

The scrutiny report on the regulations produced by the Legislation, Justice and Constitution Committee can be viewed [here](#).

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.