



Eich cyf/Your ref: P-06-1289

Ein cyf/Our ref: RE-00931-22

Jack Sargeant MS
Chair - Petitions Committee
Senedd Cymru
Cardiff Bay
Cardiff
CF99 1SN

23 November 2022

Dear Jack,

Thank you for your further letter regarding a petition to change the letting criteria used to classify self-catering properties for local tax purposes. I appreciate your update on the consideration of this petition by the Committee and welcome the opportunity to respond to the specific questions you have raised.

Firstly, you asked what arrangements are in place to support self-catering businesses who might be unable to meet the occupancy level due to lack of demand, in particular during the next year or two.

I would like to reiterate that the policy position of the Welsh Government is that properties providing self-catering accommodation should be classed as non-domestic only if they are being let on a commercial basis for the majority of the year and that properties let out on an infrequent basis should be liable for council tax. As well as ensuring that such properties make a fair contribution to their communities and local economies, the increased letting criteria are intended to help ensure that the properties concerned are being let regularly. This is to help address the impact of large numbers of second homes and holiday lets, including the impact of underused properties, on the availability of local housing.

Owners of second homes and self-catering accommodation might adopt a number of possible behavioural changes in response to the increased letting criteria. These could include property owners adapting their operating models to make greater use of their properties to meet the increased criteria. Where this is not desirable or achievable, owners may choose to adapt their operating models to account for council tax liability.

Some owners may choose to sell their properties, or to let them out as permanent domestic accommodation for the local community. Others may choose to occupy the property as their primary home or to adopt another option. It will be for individual property owners to consider the approach to take.

The Welsh Government recognises that some self-catering properties are restricted by planning conditions preventing permanent occupation as someone's main residence. The Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015 provide for an exception from a council tax premium for properties restricted by a planning condition preventing occupation for a continuous period of at least 28 days in any one-year period. In light of the changes to the letting criteria, I committed to exploring whether further amendments to these regulations were necessary in advance of the changes taking practical effect.

As a consequence of this commitment, I am currently seeking views through a [technical consultation on the draft Council Tax \(Exceptions to Higher Amounts\) \(Wales\) Regulations 2023](#). The draft Regulations extend the existing exception from a council tax premium to apply to properties with a planning condition which specifies that the property may only be used for short term holiday lets or which prevents permanent occupation as a person's sole or main residence. Such properties would become liable for council tax at the standard rate if they do not meet the letting criteria for classification as non-domestic property but they could not be charged a premium. This is consistent with our policy view that property owners should make a fair contribution to local communities either through local taxation or through the economic benefit they bring to an area.

It is intended that the extended exceptions will take effect from 1 April 2023, in conjunction with the changes to the letting criteria and the increase in the maximum level at which local authorities may set a council tax premium. The new exceptions will, therefore, apply to properties that become liable for council tax after 1 April 2023.

I have also published a [consultation](#) seeking views on the revised guidance on council tax premiums for long-term empty dwellings and second homes. This includes additional options that are available to local authorities in the event that self-catering properties restricted by planning conditions do not meet the letting criteria. The guidance includes reference to the discretionary powers of local authorities to reduce council tax bills for dwellings or classes of dwellings in their areas. These powers enable local authorities to reduce a council tax bill by any amount, as it sees fit.

Secondly, you asked whether the Welsh Government will revisit the occupancy rates and consider reviewing them if the statistics show a sharp decline in self-catering properties.

When I [confirmed](#) that the legislation in question has been made, I also clarified that the Welsh Government will keep under constant review the range of levers available to use as we continue to develop our multifaceted and integrated approach to addressing the impact of that large numbers of second homes and holiday lets can have on communities across Wales. We are preparing to monitor the impact of the changes to the local taxes following their implementation on 1 April 2023.

Our Service Level Agreement with the Valuation Office Agency includes a requirement to monitor and report to the Welsh Government on movements between the non-domestic rating and council tax lists.

I trust this information is of assistance to the Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive style with a period at the end.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government