



Eich cyf/Your ref: P-06-1313

Ein cyf/Our ref: RE/00883/22

Jack Sargeant MS  
Chair of the Petitions Committee  
Senedd Cymru  
Cardiff Bay  
Cardiff  
CF99 1SN  
[petitions@senedd.wales](mailto:petitions@senedd.wales)

7 November 2022

Dear Jack,

Thank you for your letter in relation to a petition to allow exemptions to the recently increased letting criteria used to classify self-catering properties for local tax purposes. I appreciate 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 supported a change to the criteria for self-catering accommodation to be classified as non-domestic property. 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 new thresholds take account of the responses to the 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.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Correspondence.Rebecca.Evans@gov.wales](mailto:Correspondence.Rebecca.Evans@gov.wales)  
[Gohebiaeth.Rebecca.Evans@llyw.cymru](mailto:Gohebiaeth.Rebecca.Evans@llyw.cymru)

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.

On 2 March, I 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. This ensured self-catering operators and the wider tourism sector were alerted to the changes more than 12 months before the new criteria would take practical effect.

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. It received 499 responses, the vast majority of which were from self-catering property owners and representative bodies who expressed the view that the criterion 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 who 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. It came into force on 14 June 2022 and will have practical effect from 1 April 2023. 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.

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 was [published](#) alongside the legislation.

This policy is about property owners making a fair contribution to the communities where they have homes or run businesses. Self-catering operators above the thresholds will make their contribution through the higher economic activity they support. Operators below the thresholds will make their contribution through council tax, in the same way as those who do not meet the current thresholds.

The matter of exemptions from the criteria has been raised as part of the engagement which I and my officials have had with sector representatives, including the petitioners. The letting criteria apply to all properties classified as self-catering accommodation without any exceptions: this is not a new principle. The letting thresholds apply nationally and consistently because they define a key aspect of the system, namely whether a property is treated as a domestic dwelling or a non-domestic holiday let for local tax purposes and, in turn, whether it is liable for council tax or non-domestic rates. Other aspects of the local tax system, such as the powers for individual local authorities to apply reductions, reliefs or premiums, allow for the system to be tailored to local circumstances.

I have explained this to the petitioners and their subsequent correspondence has focussed the request on exceptions from a council tax premium, where a property does not meet the letting criteria and is classified as domestic.

Some self-catering properties are restricted by planning conditions preventing permanent occupation as someone's main residence. An exception from a council tax premium is already provided for one type of planning condition and I am exploring whether an exception should apply to other planning conditions. My intention is that any necessary changes are brought into effect from 1 April 2023, alongside the increased thresholds. It is important that statutory exceptions are clearly definable in legislation and would be appropriate in all circumstances where they apply. Planning conditions satisfy those requirements as they have their own legislative basis and, where they apply, would limit the options of property owners in a consistent way.

I will also be issuing revised guidance to local authorities on additional options that are available to them if self-catering properties restricted by planning conditions do not meet the thresholds. These options include discretion to reduce standard rate of council tax liability for certain properties, where considered appropriate by the local authority. Local authorities may apply this discretion to particular properties or to classes of property. Authorities could use this discretion, for example, to support operators in particular circumstances or facing particular challenges.

Many properties of the specific types suggested by stakeholders for exceptions will be subject to planning conditions preventing permanent occupation. Where a self-catering property does not meet the letting criteria and is not subject to such a condition, I want to ensure that local authorities have as much discretion as possible to consider the approach to take for the benefit of their communities. Some of the circumstances suggested for exceptions would not necessarily preclude owners from making their properties available for long-term let to a member of the local community, rather than continuing with short-term letting for less than half the year.

The new criteria do not require properties to be made available for let throughout the whole year, allowing for periods of closure for maintenance or other reasons. There are also a number of discounts and exemptions within the existing council tax system which provide for particular circumstances.

The assessment and valuation of domestic and non-domestic property is a matter for the Valuation Office Agency (VOA), which is independent of Welsh Government. The VOA is responsible for classifying properties based on their use and will do so on a case-by-case basis, considering a range of evidence in more complex scenarios. There are established routes of appeal for owners who consider that their property has been incorrectly classified and valued by the VOA.

I consider that these 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. These changes 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 genuine self-catering 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 in Wales.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

**Rebecca Evans AS/MS**

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

