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Evidence from: Professional Association of Self-Caterers UK, Cymru

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2026-27 | Welsh Government Draft Budget 2026-27

You do not need to answer every question, only those on which you wish to share information or have a view.

1.What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

Please outline your reasons for your answer to question 1 (we would be grateful if you could keep your answer to around 500 words).

The Welsh Government's 2025-2026 Budget has had a profound impact on thousands of genuine Welsh holiday let businesses - family-run micro-businesses which provide the essential accommodation base for Wales's visitor economy. These are not second homes; they are legitimate small businesses that sustain employment, preserve local heritage, and underpin economic activity across rural and coastal Wales.

The Welsh Government's focus on housing affordability and addressing the impact of second homes is understandable. However, current interventions fail to differentiate between a second home and a genuine holiday let business. This lack of distinction has resulted in significant unintended consequences for legitimate operators who contribute to the Welsh economy, culture, and community life.

Tourism is one of Wales's largest employers and a critical driver of local prosperity. In many areas with limited hotel provision, self-catering holiday lets provide the majority of the bedstock that enables tourism to thrive. When these businesses are undermined, the effects ripple outward - impacting pubs, restaurants, shops, attractions, high streets and other local businesses (trades, laundry/cleaning companies) that employ locally and rely on visitor spending.

The introduction of the 182-day thresholds and disproportionate council tax premiums have caused substantial financial and emotional strain across the sector and beyond.

Evidence suggests that these policies are not achieving their stated aims: few properties have returned to the residential market as a result, yet genuine businesses face disproportionate taxation and financial insecurity.

The human cost has been stark. Surveys indicate that 94% of operators are experiencing increased stress since the 182-day rule was introduced, and 47% of those facing council tax premiums now operate at no profit or a loss. We have sight of backdated bills ranging from £10,000 to £54,000 – this is an unsustainable situation ... just to sustain the funds of local authorities.

These pressures threaten the viability of genuine Welsh businesses – often multi-generational Welsh family businesses. They are driving out Welsh-speaking residents to seek livelihoods outside Wales – or forcing them to rely on the state. This in itself is eroding both cultural continuity and language use in Welsh communities... exactly the communities the Welsh Government aim to protect.

Economic sustainability is compromised. High taxation and uncertainty have restricted reinvestment in property maintenance, sustainability improvements, and the move toward net zero. This hinders both competitiveness of Wales as a destination and the delivery of government climate goals.

The assumption that holiday lets can be readily converted to housing is misplaced. Many such properties are unsuitable for full-time residence or restricted to holiday let use only - 33% of Welsh holiday let businesses have restrictions for holiday let use only, 18% are on diversified farms. These and other limitations mean they are not able to be returned to the residential housing market.

In addition, council tax premium revenues are not ring-fenced for housing provision and are often diverted into general Local Authority budgets, limiting transparency and impact.

On a positive note, Small Business Rates Relief remains a critical safeguard for the sector. It supports innovation, investment, and the continued viability of genuine Welsh micro-businesses. There has never been a greater need for this targeted support.

With more flexible, evidence-based policy and recognition of the distinct role genuine holiday let businesses play, Wales can balance its housing goals with the need to protect a sustainable, community-based visitor economy - one that continues to provide livelihoods, cultural value, and pride for generations to come.

2. How financially prepared is your organisation for the 2026-27 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Please outline your reasons for your answer to question 2 (we would be grateful if you could keep your answer to around 500 words).

The Welsh Holiday Let sector remains in a more precarious and uncertain position.

How can one plan when from one day to the next you do not know whether you will be considered a business or not based on an arbitrary threshold of 182 days?? At the behest of the weather, a cost of living crisis or similar condition completely outwith your control – you may or may not meet the 182 day threshold!

Reach 182 and you can carry on... 181 and you face surrendering your entire annual profit to your Local Authority... for what?

The latest WG WAVE report states: 'Only about half of operators (52%) feel confident to operate their business profitably this year' with Self-catering operators '...struggling to meet the 182 day rule and may see their costs rise beyond what they consider worthwhile to operate'

Less than 50% of operators expect to meet the 182-day requirement, and 86% are discounting heavily to try to achieve it. This discounting is eroding profitability and triggering a damaging race to the bottom on price, impacting both the self-catering and serviced accommodation sectors.

Inflation compounds the challenge. Rising energy, maintenance, and insurance costs are squeezing already thin margins, leaving many operators unable to reinvest in property standards or sustainability improvements, while discounting to unviable levels simply to meet an arbitrary threshold.

This situation completely undermines confidence, profitability, and long-term investment across the sector.

The sector needs fair, evidence-based policy to protect its genuine tourism businesses and the communities they aim to sustain.

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;
 - address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?
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(We would be grateful if you could keep your answer to around 500 words).

Carry out a full impact assessment into the effects of the 182 day threshold as this is the most destructive of tax measures. Then honestly review the results. It is set too high, businesses cannot achieve it. Then reduce the 182 accordingly to a realistic level achievable by genuine holiday let businesses.

VOA data is only one data set that should be considered as this is NOT exclusive to those not meeting the 182 day threshold.

We appreciate the engagement with Welsh Government since our submission last year. We are however not seeing any material change despite presenting supporting evidence.

WG should also use data to inform their policy decisions. Statutory Registration scheme which if implemented correctly is the opportunity to get robust data but only if done well. This can then inform good policy, address rogue actors and in turn return housing stock to the market. Further interventions should be paused ahead of obtaining this robust data.

4. Have Welsh Government business support policies been effective, given the economic outlook for 2026-27?

(We would be grateful if you could keep your answer to around 500 words).

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

(We would be grateful if you could keep your answer to around 500 words).

The current policies affecting FHL business owners are inhibiting investment in sustainable, green, energy efficient schemes.

- Cash reserves previously allocated to such schemes are now absorbed into excessive council tax premiums
- Businesses owners cannot afford time to complete works to improve greener technologies as this deducts from 'days let' & 'days available' therefore directly inhibiting ability to achieve the 182 day threshold.

The UK Government's proposal to include Short Term Lets in the EPC scheme is a direct risk to the sector. Holiday lets: 24% are listed, 21% are historic, 60% are over 100 years

old. Costs involved would mean many would be forced to leave the sector, leaving properties redundant as they would be considered unsuitable for long-term habitation either.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

(We would be grateful if you could keep your answer to around 500 words).

No.

The 182 day threshold and resultant Council Tax Premiums is a blunt instrument. It was not intended to damage the genuine businesses but this is where it is resulting in the most damage.

Policy decisions are made in silos with no consideration of other policies affecting the same target audience. The result is a tsunami of policies affecting individual Welsh people, businesses and families with irreparable negative affects.

Welsh Holiday Let businesses currently face 22 interventions from all levels and areas of Government... all with financial and personal consequences to a higher or less extent.

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?**Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?**

(We would be grateful if you could keep your answer to around 500 words).

FHL owners are being forced into income poverty due to disproportionate levels of taxation. Very few Welsh Residents could raise £10,000+ easily, ready to hand over to the taxation system – this is what is expected.

Many Welsh business owners who are also Welsh residents are facing court summons for unpaid Council Tax demands – many of which are completely incorrect charges, and all of which are disproportionate. This is putting people under overwhelming stress.

FHL owners are being forced to 'work longer for less' as market trends lead to later booking for shorter stays. Resulting in owners working well below minimum wage levels and working hours that would not be appropriate according to Working Time Directive guidelines and far from appropriate in an employed environment.

When compared to general levels of income taxation, FHL owners are paying disproportionate levels of tax in relation to income or revenues. The most common s/c property size sleeps 4 people, turns over around £23,000 and generates £5,000 profit.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

(We would be grateful if you could keep your answer to around 500 words).

The typical self-catering owner is female (53.4%), 60+ years (54%), has been running their business for 10 years or more (49.4%), and holiday letting accounts for half their total income. They rent a single small property, often that originated as a diversified farm building (23%). Over half of all owners (53.4%) live next door to their holiday rental property, and 68.6% live within 10 miles of it.

Examples of those struggling also include:

- young Welsh families supporting children through Welsh schools and
- Farming families encouraged to diversify who's FHLs prop up their farm business.
- Many are balancing caring responsibilities, supporting families and supplementing pensions or maintaining economic activity when they do not have pensions.

These demographics are therefore disproportionately impacted by such Government decisions.

Legislation that hurts the sector not only damages the Welsh economy, but it also has its greatest impact on local Welsh residents.

Alternative employment is not only not achievable but also not available.

Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

(We would be grateful if you could keep your answer to around 500 words).

There is much opportunity for preventative spending but we see little or no evidence of effective preventative spending within our sector.

We see evidence of Council Tax premiums being used for 'Emergency Accommodation' much of which is wasted. For example building temporary accommodation at costs in excess of permanent housing.

We have long been advising of the mental health crisis caused by the 182 day threshold. We have yet to receive any acknowledgement of this. This will cause preventable draw on social resources.

Second homes are not being returned to the housing stock, they are simply being recycled or being bought by Retirees from outside the area. This contributes to an already ageing population and creates further preventable draw on social resource.

The majority of Welsh FHL operators are reliant on their holiday let businesses to remain financially independent. 40% rely on their FHL for half of their income. With many now leaving the sector they may look to the state for additional support – this is preventable draw on social resources.

In short, allow people to maintain their financial independence by running their micro-business in exchange for needing support from social resources.

How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

(We would be grateful if you could keep your answer to around 500 words).

We are calling for robust Economic Impact Assessments, which form part of the decision making process, for every intervention. An economic impact assessment should be published for every individual policy BEFORE implementation decisions are made – we are yet to see these even after implementation.

We then need to see a cumulative economic impact assessment which considers the impacts of all interventions from all areas of government.

These should then be clearly measured against achievement of stated policy decisions.

Impact assessments are required for all interventions but priorities include:

1) The implementation of the 182-day threshold – together with a full review of 182 (not simply VOA data).

The 182-day threshold is too high and it is a tax measure. People can't achieve it and as a consequence pay disproportionate amounts of tax, which in most cases they can't afford to pay forcing them into poverty, due to matters outside their control.

2) The Tourism Levy - the published Impact assessment was deeply flawed suggesting the introduction of a Levy will make a financial loss and result in a loss of FTE jobs.

Furthermore, it fails to account for the situation that now applies:

1. It did not take into account the severe downturn in visitor numbers to Wales (27% decline 2022-2024)
2. It did not account for the full administrative costs of implementing the levy including processing refunds, reduction in revenue from refunds and LA administration
3. It was based on highly imprecise estimates of the number of accommodation providers (16,000 to 55,000)
4. It did not take into account the extreme pressure that the hospitality industry is under from other recent legislative changes
5. It assumed that all local authorities would implement the levy, which is now unlikely

These considerations seriously undermine the economic calculations on which the levy is based. There is a significant risk that the levy will have far greater costs than benefits, while further damaging the extremely fragile hospitality sector.

We strongly urge the Welsh Government to stop and reconsider the implementation of this anti-growth measure before further damage is done to hospitality in Wales.

How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

(We would be grateful if you could keep your answer to around 500 words).

Economic Impact Assessment for all interventions. Valid consideration given to consultation responses and data provided to Welsh Government.

Progress reports against stated policy objectives.

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

(We would be grateful if you could keep your answer to around 500 words).

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

(We would be grateful if you could keep your answer to around 500 words).

Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

(We would be grateful if you could keep your answer to around 500 words).

How should the Budget support young people?

(We would be grateful if you could keep your answer to around 500 words).

If the Welsh Government wants to support jobs and housing for young people, these should be considered alongside growth measure for Tourism. Tourism is known to be an accessible source of employment for all age groups, including young people.

All age groups should be incentivised to work.

How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

(We would be grateful if you could keep your answer to around 500 words).

Many consultations are carried out but the outcomes are often not considered. Consultations come at a cost and should be taken seriously within our democratic system.

Our sector has provided much data which is often largely ignored in policy decisions.

It is commonly known and frequently stated that there is a lack of robust data (not least Levy stating between 16,000 and 55,000). This must be rectified to allow for good data-led policy.

The sector has long been calling for a Statutory Registration Scheme which combines Phase 1 & Phase 2 (safe & legal) which if implemented correctly would provide robust data for Welsh Government to form policy decisions based on facts. It is imperative that this scheme is correctly executed to achieve the policy objective and to provide this essential data.

Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

(We would be grateful if you could keep your answer to around 500 words).

What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?

(We would be grateful if you could keep your answer to around 500 words).

A prosperous Wales – Current legislation impacting FHL operators should support growth and investment especially among small entrepreneurial Welsh Businesses – currently it does not. Release the current legislative ‘straight jacket’ to allow innovation and growth.

A resilient Wales – Current legislation impacting FHL operators is causing unsustainable stress and mental health issues to small welsh business owners. Resilience should be nurtured not destroyed.

A healthier Wales – current legislation affecting FHL operators in Wales is causing unsustainable and irreparable stress. Continued stress and anxiety is known to cause/contribute to irreversible mental health and general health conditions if left untreated. We have significant evidence of this damage and needs attention before it becomes too late to resolve. We have long been calling for urgent attention to this, which remains addressed.

A more equal Wales – We have provided demographic data. Small businesses are being disadvantaged against larger businesses eg recent levy announcement disadvantages small businesses. Government interventions are disproportionately disadvantaging sectors of Welsh residents as detailed earlier in this response. This is also causing distinct disparity between businesses inside Wales to those outside of Wales.

A Wales of more cohesive communities – Genuine FHL business contribute to the local economy. They provide jobs and income. FHLs bring in visitors who supports the local businesses eg pubs, cafés, visitor attractions. The demise of FHLs is being seen to affect local businesses who rely on these visitors. Whilst vacant second homes may detract from the communities, FHL businesses are generally at the heart of their communities and part of the economic eco-system on which the local communities survive. Demise of FHLs = reduced employment, reduced local spend.

A Wales of vibrant culture and thriving Welsh language – most FHLs celebrate the Welshness. Forcing Welsh businesses to leave the area for work is already seeing the next generation Welsh speaking taking their skills and language outside of Wales. This in turn affects the ability to sustain community needs such as local schools.

A globally responsible Wales

– Wales and local economies are dependent on Tourism. The Welsh Government should recognise the need for change when alerted to the irreparable damage on our sector caused by Government interventions.

- Opportunity to reward those small Welsh entrepreneurial businesses who are working to make a reasonable living in order to maintain financial independence and limit reliance on the state.
 - More consideration of the devastating mental health impacts highlighted from the Welsh Govt interventions such as 182, council tax premiums
 - Promoting and enabling Sustainable Development while eliminating barriers
 - Taking action that produces long-lasting, scalable effects
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