

Local taxes for second homes and self-catering accommodation

Consultation Response Form

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Responses to consultations may be made public. To keep your response anonymous (including email addresses) tick the box.

Question 1

How effective has the use of premiums been in addressing housing issues?

Comment:

To begin, we would like to emphasise that we value the opportunity to respond to this consultation and that we are doing so because of our wish to see steps being taken to respond to the problem of second homes and their effect on Welsh language communities. We are not experts in the field of taxes, but we consider that there are relevant findings in Simon Brooks's report, *Second homes: Developing new policies in Wales* (2021), and the Anglesey and Gwynedd Joint Planning Policy Service report, *Managing the use of dwellings as holiday homes* (2020). We are responding in the context of those reports.

The Brooks report refers to a claim that the introduction of a council tax premium on second homes results in an increase in properties being transferred from the council tax list to the non-domestic rates list. This is evidenced in the Anglesey and Gwynedd report. As noted in the consultation document, there is limited evidence about the effectiveness of local tax adjustments on the housing market.

The consultation document states that the premiums have enabled local authorities to collect millions of pounds in additional council tax and that the Welsh Government has encouraged authorities to use that income to address problems affecting the supply of affordable housing. This means that it is important to ensure that the local authorities where second homes are considered a problem make full use of their taxation powers.

Question 2

How could local authorities' best use the premiums to help bring empty or underused properties back into use to improve housing supply and the sustainability of local communities?

Comment:

Local authorities should consider using the income received through the premium to purchase empty properties and increase the provision of affordable housing with local restrictions when appropriate. One way of doing that would be by cooperating with social housing providers.

Question 3

Do you have views on how funds raised from the premium should be used? For example, should local authorities be required to be more transparent about how funds raised from the premium have been spent?

Comment:

Local authorities should be required to state how they spend the money raised through the premium, in order to justify this higher tax. The money could be used to improve housing in the county in general, for example by offering grants to people to improve their housing in specific ways. One way of doing that would be to improve the energy efficiency of housing, as noted in the Anglesey and Gwynedd report. The same report refers to other possibilities such as tax exemptions and reductions to enable people to access their first home, grants for SMEs and entrepreneurs, and language schemes. The introduction of initiatives to promote the Welsh language should be considered in all areas where a premium is raised. These are all positive schemes and should be publicised to inform the public if they are being implemented.

Question 4

Is the current maximum premium of 100% appropriate? If not, what would you consider to be appropriate and fair?

Yes

No

Comment:

The number and proportion of second homes need to be controlled in some parts of Wales. The effect is substantial in some counties and we encourage the Government to hold discussions with the relevant local authorities. The number of second homes is a regional and local problem, rather than a national problem, and it is reasonable for the Government to discuss and create policies that are mindful of that.

Question 5

If a higher maximum premium were proposed, should this be introduced incrementally?

Yes

No

Comment:

If evidence indicated that it would be beneficial to propose a higher maximum, it would be appropriate to undertake a consultation on the proposal and allow 12 months before the higher premium comes into force, as is currently the case with any changes to the premium.

Question 6

What do you see as the impacts, both positive and negative, of self-catering accommodation?

Comment:

As noted in the Brooks and Anglesey and Gwynedd reports, self-catering accommodation can be more beneficial to the local economy than second homes, as it is likely to attract new visitors who will spend locally. This type of accommodation can be a source of important local income, and the Anglesey and Gwynedd report emphasises that this is particularly true when the owners are local people. Another benefit of self-catering accommodation, according to the same report, is its potential as an additional source of income for farming families, who diversify by providing accommodation on their land to safeguard the future of their business.

A number of negative impacts are listed in the Anglesey and Gwynedd report. These include a lack of housing supply to meet local need, an impact on local services and schools, a lack of support for community facilities, seasonal job opportunities and an increase in house prices that disadvantages local people.

Question 7

What are your views on the current criteria and thresholds for defining property as self-catering accommodation and liable for non-domestic rates?

Comment:

The thresholds seem low. They require properties to be available to let commercially as self-catering accommodation for short periods totalling 140 days in 12 months. This means less than half a year. The short periods must total at least 70 days within 12 months, which is less than a quarter of a year.

Question 8

Do you think the self-catering accommodation thresholds should be changed and, if so, why?

Yes

No

Comment:

The thresholds should be raised to ensure that properties eligible for inclusion in the non-domestic rates list are primarily for commercial gain, rather than for personal use.

Question 9

If the self-catering thresholds were to be changed, what do you suggest the new thresholds should be?

Comment:

The thresholds should rise so that property must be offered to let, and that it is let commercially, for periods that reflect a serious intent to maintain the property as a business. Local authorities could be given the power to decide on the thresholds according to the local context, based on Government guidelines. Evidence from the hospitality industry should be used to determine an appropriate letting period for predominantly commercial use.

Question 10

What are your views on the eligibility of self-catering accommodation for Small Business Rates Relief?

Comment:

The Brooks report asks the Government to seriously consider making self-catering accommodation exempt from small business rate relief. It supports the same demand made in the Anglesey and Gwynedd report, which also proposes the possibility of prohibiting short-term holiday accommodation from qualifying as business premises. This would ensure that the owners would pay council tax on the property.

An alternative would be to impose a special tax on properties that are self-catering accommodation. A specific tax rate could be considered for owners of self-catering accommodation living in the same county as the accommodation because their income supports the local economy, as set out in the Anglesey and Gwynedd report. (See the answer to Question 6) A higher rate could be considered for owners who do not live within the county, particularly in areas where second homes are considered a problem.

Consideration should also be given to the proposition in the Anglesey and Gwynedd report that the Government can target support at properties that have been properly developed as part of the tourism industry. In this case, reference is made to property that has received planning permission to convert it from a residential property to short-term holiday accommodation. The report proposes that such accommodation

should not be considered in the context of small business rates unless the property has received planning permission to change its use.

Question 11

Are there other ways in which you think the local tax system could be used to the support the sustainability of our communities?

Yes

No

Comment:

Consideration should be given to adding a further rate to the land transaction tax in the case of a second property, depending on local circumstances.

A case is made in the Anglesey and Gwynedd report for the introduction of a tourism tax for the benefit of local residents and visitors, by providing additional funding to local authorities to invest in their area. This option should also be considered.

Question 12

We would like to know your views on the effects that these proposals would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English.

What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

Comment:

There are a very high percentage and number of second homes in parts of Wales, and those areas correspond to a great degree with areas with the highest density of Welsh speakers. Second homes in their essence are empty for long periods of the year and therefore can have a detrimental effect on community sustainability.

The Anglesey and Gwynedd report identifies a link between higher percentages of holiday homes and lower percentages of Welsh speakers in specific areas, due to a reduction in the number of houses available for local people. If changes to the local taxation system led to a reduction in the number of houses being turned into second homes or self-catering accommodation, and if this meant that more local people were able to rent or buy those houses, it could have a positive impact on the Welsh language.

It should be emphasised that this would only happen if the changes helped local people to stay in their localities. The Brooks report warns of the danger of second homes turning into the main homes of affluent permanent residents from outside the community, weakening the position of the Welsh language in the area if local people

were unable to buy or rent the property. Because of this, it argues for public policy to stabilise the number of second homes in the communities they affect, or gradually reduce the number of second homes.

Question 13

Please also explain how you believe the proposed policy approach could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

Comments:

See the answer to Question 12. See also the answer to Question 3 above, which refers to funding initiatives to promote the Welsh language with money raised through the council tax premium. Consideration could be given to establishing similar schemes with the income of any alternative taxes imposed on self-catering accommodation, for example.

Question 14

We have asked a number of specific questions. If you have any related points which we have not specifically addressed, please use this space to record them.

Comments:

Second homes in Wales are a regional and local problem, therefore taxation policies should respond to local needs and the particular context of second homes and self-catering accommodation in specific areas.

To assist with assessing the context in each area, consideration should be given to setting a threshold for the percentage of second homes and self-catering accommodation that is acceptable in terms of community sustainability. This can be compared with the position regarding houses in multiple occupation. Local authorities can already set a threshold for the percentage of this type of property in their area. It is noted in the Anglesey and Gwynedd report, for example, that the threshold in most parts of the two counties is 10%.