



Short Term  
Accommodation  
Association

## **Local taxes for second homes and self-catering accommodation**

### **Consultation Response Form**

Your name: Matthew Niblett

Organisation (if applicable): UK Short Term Accommodation Association

Email: matthew.niblett@ukstaa.org

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: Although Welsh councils can charge a council tax premium of up to 100% on second and long-term empty homes, almost no council has implemented this measure. While it could be effective, we currently do not have sufficient data that provides policymakers with relevant information to make definite decisions. The STAA believes that premiums are effective to help distinguish between second home owners and those letting out their property commercially. Council tax premiums provide councils with important income to build affordable housing and support local communities in any other way necessary. The STAA suggests that the Welsh Government provides more information to councils on using council tax premiums to address housing shortages in their communities.

For example, in Pembrokeshire, the use of premiums of 100% on second homes would generate £3.3 million annually and, according to the BBC<sup>1</sup>, provide enough income to build an extra 106 affordable homes.

Some councils have been reluctant to implement council tax premiums for second homes as they believe it could lead to second homes owners trying to avoid council tax entirely by shifting towards the business rates system. If such properties were to qualify for Small Business Rate Relief, this could result in second homeowners letting out their property not paying taxes at all.

The STAA believes that the council tax premium would be more effective in the context of a more robust amateur/commercial distinction. Second homeowners should continue to pay council tax premiums while those letting their property for more than 140 nights, rather than the current 70 nights, should be eligible for business rates instead. We will elaborate further on this simplified way of

---

<sup>1</sup> [BBC News article](#)



Short Term  
Accommodation  
Association

distinguishing between amateur and commercial letting in our answers to question 7 and 10.

### **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: No comment.

### **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: We believe that the funds should be used for specific activities that support the creation of new affordable housing in the community. It could also be used for support services in the community more broadly, but it is helpful for these services to be specified and connected to the premium to make it clear why it is being charged.

### **Question 4**

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

Yes

☒

No

☐

Comment: We believe it is fair and support the usage of this premium more widely to drive tax money into the local communities and ensure second homeowners are actively contributing to the local area.

### **Question 5**

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

Yes

☐

No



Comment: No comment.

### Question 6

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

Comment: The most obvious and substantial impact of self-catering accommodation or short-term lets is the economic benefit it the sector brings. The average guest at a self-catering accommodation in the UK spends £100 a day, with 43% of that figure spent in the neighbourhood of the host's home<sup>2</sup>. Accordingly, money is spent locally across different regions of a town or city. Short-term lets not only provide income for owners, but they also generate associated jobs in professions such as housekeeping and property management, as well as supporting jobs in retail, culture and gastronomy by bringing money to the area. In 2019 alone, tourism in Wales generated £6.2 billion in visitor spend and provided jobs for 130,000 people<sup>3</sup>. This figure would have been significantly lower were it not for short-term lets, with 29% of guests in self-catering accommodation stating that they would not have come to the UK, or stayed as long as they did, without short-term rentals<sup>4</sup>. Overall, short-term rentals clearly provide significant economic benefits to the areas in which they are located.

Beyond that, self-catering accommodation has ecological benefits, too: since tourism is vital to the Welsh economy, tourists have to stay somewhere. Hotels have a much larger carbon footprint than short-term accommodation due to their 24/7 servicing. Short-term rentals, which are comprised of individual homes or units, are also better equipped to conserve energy and water. Finally, they make use of the existing housing stock instead of requiring the carbon-intensive building of hotel facilities.

Short-term lets can also help to protect the Welsh language by providing employment opportunities and income to locals that could otherwise be forced to move out of Welsh-speaking areas. In the absence of short-term rentals, there will still be demand for second homes, and such homes may be permanently bought and used as second homes by people from non-Welsh-speaking, more capital-heavy areas.

Finally, it is better for second homes which exist to be let out than to sit empty. Evidence from STAA member Sykes Cottages suggests that, out of a total UK second home market of 550,000, only around 170,000 are rented out, meaning that only around 30% of owned holiday homes are rented. Second homes which are rented out to guests provide far more economic benefits to the local community than those which merely sit empty for most of the year. In 2021, the average holiday let in

---

<sup>2</sup> [Airbnb UK Insights Report, 2018](#)

<sup>3</sup> [Wales Tourism Alliance manifesto 2021](#)

<sup>4</sup> [Airbnb UK Insights Report, 2018](#)



Short Term  
Accommodation  
Association

Wales was let out for 142 nights. In 2019, the last 'normal' year, this figure was 184 nights. It is very unlikely that a second home would be occupied for such a large portion of the year purely by its owners. Second homes which mostly sit empty all year represent the worst of all worlds, as they provide no income for local businesses and no employment for local people, unlike short-term rentals. As it stands, almost 70% of second homes do not contribute to the local economy and local businesses and want to avoid that number growing, since this would be the worst outcome for all involved.

### **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 STAA believes that the current criteria and thresholds for defining property as self-catering accommodation are outdated and no longer fit for purpose. The dual threshold of 'nights available' and 'nights let' is confusing, and the concept of 'nights available' difficult to define.

The STAA proposes a much simpler solution. We advocate a single threshold to determine whether a property is being used primarily as a home (whether a first or second home) or primarily as a business. Homes which are lived in first and foremost should be liable for council tax, whilst those which are rented out to others first and foremost should be liable for business rates. Rather than focusing on whether a home is a first or second home, this solution addresses how the home is actually used. We refer to this distinction as an amateur-commercial distinction.

The rationale for removing 'availability' as a criterion is simple: availability is extremely difficult to define. It is not at all clear how an operator would evidence how 'available' their property is. A calendar may be open year-round, but without the intention of being sold year-round. It is much easier to simply count the number of nights an operator actually sells, since this is a much better indicator of the level of activity they are undertaking.

As mentioned in our answer to question one, second homeowners should continue paying council tax premiums or business rates solely depending on the number of nights let. A dwelling should be defined as commercial self-catering accommodation and liable for non-domestic rates only if it has been let for at least 140 nights within one year. This would exclude bookings which are made but then been cancelled and refunded because the property cannot be made available to the guest for whatever reason. If the guest cancels, but the accommodation provider is still able to let the night, this would still count towards the nightly total.

Such operations should qualify for business rates. Properties let on a commercial basis provide long-term employment opportunities, and a sustainable income for the community through tourism and passive streams of income such as restaurants, transport, attractions, local markets, etc. Any property which is let for fewer than 140



Short Term  
Accommodation  
Association

nights would be eligible for council tax. If the property also happened to be a second home, it might be eligible for an increased council tax rate, depending on which Welsh local authority it sat in. This will provide councils with income to build more affordable housing, create local jobs and decrease the incentive for purchasing second homes but leaving them empty for most of the year.

We believe that 140 nights is a sensible threshold at which to make the amateur-commercial distinction. 70 nights of actual letting constitutes an occupancy rate of under 20%, which is very low for a commercial operation. Genuine businesses should not have an issue with hitting 140 nights in a normal year; the average number of nights let in 2021 was 142, and it was higher in previous years which were less impacted by the COVID-19 pandemic. By increasing the threshold, the Welsh Government would drive more accommodation nights in existing second home stock and encourage second home owners to contribute more indirectly to local economies by having guests to stay.

All STAA members agree that avoiding paying taxes entirely neither helps businesses nor communities in the long term. The new and more simple definition proposed by the STAA would help close this perceived tax loophole. Together with the council tax premium being more fully implemented, we believe this will have a material, positive impact on councils' income.

### **Question 8**

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

Yes

☒

No

☐

Comment: Please see question 7.

### **Question 9**

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

Comment: Please see question 7.



Short Term  
Accommodation  
Association

### Question 10

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

Comment: Small business rates relief should apply to our sector in the same way that it applies to all other sectors. Treating different sectors on a case-by-case basis is dangerous and unfair, Tightening the eligibility criteria for business rates relief, combined with implementing the 100% council tax premium where appropriate, would ensure this loophole is closed and councils can benefit from the incremental income generation which would result.

### 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: The best way to support communities sustainably is to support the prosperity of small businesses by keeping VAT low and supporting small business relief for genuine businesses. Successful small businesses provide employment opportunities in the community and contribute to the public purse via a range of taxes. Supporting small businesses means focusing on increasing the standards and frequency of tourism, which will create sustainable economic benefits for local communities. At the same time, the STAA supports Welsh localities' ability to raise a council tax premium of up to 100% on second homes where deemed necessary, provided that those are adequately distinguished from genuine small businesses via a robust distinction as we have already outlined.

### 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: To support short-term lets means to support the Welsh language. According to a recent survey by the Wales Tourism Alliance, around 50% of short-term lets in Wales belong to local people, constituting a critical source of local income. Short-term lets provide much-needed employment opportunities to local Welsh speakers who might otherwise be forced to move away. The STAA



Short Term  
Accommodation  
Association

furthermore agrees with the 'Second homes: developing new policies in Wales' report which strongly emphasises the risk that homes that cease to be used as short-term lets, providing crucial income to its potentially local owner, might be bought up by people from outside the area (who tend to have more capital) and/ or turn into a mostly unused second home. Both scenarios would be detrimental to the local economy and the preservation of the Welsh language. The Welsh language is part of the appeal of the region, and it is in the interest of short-term accommodation providers to preserve it. The STAA is more than happy to work with the Welsh government on any initiatives that serve to strengthen the Welsh language.

### **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: No comment.

### **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: No comment.