

CYNGOR SIR POWYS COUNTY COUNCIL

**County Council
23rd January 2020**

REPORT AUTHOR: County Councillor Aled Davies, Portfolio Holder for Finance, Countryside and Transport

SUBJECT: Question from County Councillor Gareth Ratcliffe

Following concerns raised by residents of Hay that they are seeing an increase in second homes becoming "businesses" to get around the increase in council tax will the council review the impact of second homes on communities to support the local residents as well as the business community to ensure we have a 12 month season and homes are not left empty for large parts of the year thus strengthening our community for future challenges?

Response

When a property in Council Tax is identified as a liable person's second home it means it is furnished but not the person's sole or main residence (i.e. occupied periodically). Therefore it could reasonably be expected to follow that the person or persons may spend significant amounts of time and be involved in community elsewhere where their sole or main residence actually is. There is nothing defined in legislation as to how much time needs to be spent at each home.

Therefore it follows in Council tax that someone may have a second home as defined above and use it as a holiday home for their own purposes. Some may choose to let the property out as a holiday let for others on a commercial basis.

In Business Rates legislation there is then the ability for a person who is commercially letting a property as a holiday home to be moved from the Council Tax rating list to the Business Rates rating list when they reach a threshold. This does then give the liable people the ability to receive a small business rates relief in their circumstances. The liable person(s) as a threshold have to be actively marketing their property for 140 days per year and actually let the property for 70 days per year.

The person must apply to the Valuation Office Agency for Wales (VOA) and be able to evidence the marketing and letting before the VOA would make the decision to change the property to a commercial one on the Business Rates rating list. Following that move of rating lists, it is then the responsibility of the VOA to review the lists regularly to make sure the circumstances still apply in each and any case, and they should then move a property back to Council tax rating list if they do not fulfil the criteria.

I hope you can see from the above that the local authority has very little control or ability in legislation or policy or decision to determine how second homes are managed in that sense in Powys communities.

Also as you will be aware Welsh Government allowed Councils in Wales to introduce premiums for properties identified as second homes or long term empty. Powys Council introduced this change in line with Welsh Government policy in an attempt to encourage properties in both categories back into active use as main homes or into other uses and where the person decides to retain the property as empty or as a second home, then their liability is increased to take account of that lesser use.

Since the inception of the premium for second homes, there has been very little movement in second home numbers and also there has not been a significant move of properties from the Council Tax rating list to the Business Rates rating list for this type of property.

I am aware that Welsh Government are undertaking a review of the legislation and the policy around empty homes and second homes and also how the premiums have impacted these two categories of properties as well.

Also representation has been made to Welsh Government by Welsh Treasurers to look at the crossover between Council Tax second homes and holiday lets in Business Rates and whether this is having a positive or negative impact on revenue raising for Councils, the impact on communities and also the development of tourism in the County.

So I hope you can see we are mindful where we can to ensure that policy and legislation is challenged and reviewed taking account of the impacts on Powys and its communities where possible.