

1.1 The Background and context

WG have made a commitment to address the issue of second homes and unaffordable housing facing many communities in Wales. Using the planning, property and taxation systems, they plan, in collaboration with local government to take action.

The Council Tax Premium is intended to be a tool to help bring long-term empty properties back into use to provide safe, secure, and affordable homes and to support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities.

There are various classes of dwellings that are exempt from paying the premium, these are detailed in Item 1 of Appendix A:

From April 2023, local authorities are able to charge up to 300% council tax premiums on second homes and long-term empty properties. A premium is an additional percentage on top of the standard council tax bill. Previously the maximum premium for these properties was set at 100%. Local authorities are given the autonomy to make the decision to increase the premium based on local needs, and apply different levels for second homes and long-term empty dwellings.

In 2016 Denbighshire Council agreed to charge a 50% premium on a property that has been unoccupied and unfurnished for 12 months or more. For second homes there is a 50% premium immediately and this was introduced April 2017.

Item 2 in Appendix A highlights the income raised as a result of the premiums. Item 3 details the number of long-term empty properties and second homes in Denbighshire that are charged a premium.

WG have provided updated guidance on the implementation and administration of the Council Tax Premium. Some key points to note include,

allowing local authorities discretion on the charging of the premium, taking into account local needs.

It has also added two categories where the premium won't be charged. This includes properties that are restricted by planning conditions which mean that they can only be used as short-term holiday lets or where the property is prevented from being used as someone's main residence.

1.2 Legislative changes Considerations

Currently dwellings that are classed as a holiday let, can be transferred from the Council Tax listing to the NNDR list. The majority of these properties then qualify for Small Business Rate Relief (SBRR) and so don't contribute to either tax.

The criteria, as set by Welsh Government, for a holiday let to be considered for NNDR was previously:

- Property has to be let for at least 70 days per year;
- Property has to be available to let for at least 140 days per year.
- This changed from April 2023 to:
- Property has to be let for at least 182 days per year;
- Property has to be available for at least 252 days per year.

The change is intended to provide a clearer demonstration that the properties concerned are being let regularly as part of a genuine holiday accommodation business, and making a substantial contribution to the local economy.

There have been significant concerns raised within the tourism sector in Wales to these changes, citing in some cases units can only be used seasonally, reducing the available number of days that a property could be advertised for let and physically occupied, which is below the minimum threshold. Further concerns have been raised in respect of Air BNB properties, which can in many instances be part of a resident's home and not

liable either for council tax or NNDR. In response WG have provided LA's with amended guidance to exempt properties that can only be let short term, and cannot be used as a sole or main residence as part of the planning regulations. This guidance came into effect from 1st April 2023.

WG have also increased the Land Value Tax (LVT) on second homes in Wales to help fund increased social housing. Those purchasing a second property now have to pay a 4% levy on the LVT.

Since the introduction of the 50 % premium on second homes in 2017, 156 dwellings have been transferred from council tax to NNDR. Many of these will have transferred naturally without the premium as all new holiday lets are initially banded within the Council as liable for council tax and only transferred to NNDR when the Valuation Office Agency agrees it meets the criteria to be treated as a business. There was an increase in transfers to NNDR during the Covid pandemic as holiday let owners needed to be liable for NNDR in order to receive the grant payments. Additionally, because of the international travel restrictions 'Staycations' increased significantly, which increased the levels of commerciality and numbers of properties moving across to NNDR. It is expected that some of these properties will transfer back over to Council Tax now that foreign travel is fully accessible.

The consideration when initially introducing the 50% premium was to ensure there wasn't a significant loss to the tax base impacting on DCC revenue, whilst having a positive impact in reducing the number of long-term empty and second homes and increasing revenue in which to support the need for affordable housing. It is difficult to confirm over the last 3 years if this has had the desired effect as the council tax team are more vigilant in identifying empty properties or second homes.

Update from DCC Planning

On 4th July 2022 the First Minister and the Leader of Plaid Cymru announced a package of measures to address the negative impact second homes and short-term holiday lets can have on the viability and affordability of housing for local people in communities in Wales. As part of the three pronged approach

proposed including changes to local taxation, this also built in a land use planning element with the introduction of three new use classes. These three new use classes will give local planning authorities the ability, where they have evidence, to make local amendments to the planning system through an Article 4 Direction, allowing them to consider whether planning permission would be required to change from one use class to another and to control the number of additional second homes and short-term lets in an area. These changes came into force on 20th October 2022.

As part of the package of measures, WG also intend to introduce a statutory licencing scheme for all visitor accommodation providers in Wales. The scheme will aim to ensure that all providers meet health & safety requirements such as gas and electrical safety, are insured and have planning permission to allow the premises to be let. It will also provide WG and local authorities with better intelligence and a comprehensive register of visitor accommodation providers. WG have consulted on proposals for the scheme and are currently reviewing the responses to the consultation. It is anticipated that WG will finalise the scheme later this year.

Officers will be analysing the approach taken by other Council's across Wales where the impacts of second homes and short-term holiday lets are more pronounced. Once the licensing scheme has been finalised, as the final element of WG's three pronged approach, the intention is to report to Communities Scrutiny Committee to discuss the potential impact of the measures and the Council's approach moving forward.

1.3 Considerations

Parity between the Long-Term Empty and Second Home Premium needs to be considered. Having parity, reduces loopholes in that an owner states the property is unfurnished to gain 12 months before the premium is charged, whereas second homes incur the premium immediately. There would be

additional resource required should parity not be maintained. An increase in property inspections and investigative work as well as more detailed administrative tasks will be required. This is estimated at an increased cost of £32k.

Regionally Denbighshire has relatively low numbers of second homes compared to other areas, such as Gwynedd and Ynys Mon. Due to this the impact is not as high on communities compared to others in the North and Mid Wales region. Please see Item 5 in Appendix A the premium charges currently in place across North and Mid Wales.

There are areas within Denbighshire that have relatively high numbers of second homes listed in council tax. These are detailed as Item 4 in Appendix A.

The total number of Long-Term Empty properties over 5 years that could be charged the additional premium are currently: 493