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| WRITTEN STATEMENTBYTHE WELSH GOVERNMENT |

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| **TITLE** | **Update on Local Taxation** |
| **DATE** | **7 June 2023** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Local Government** |

The Valuation Office Agency (VOA) is responsible compiling and maintaining the council tax and rating lists for Wales. Based on the available evidence, the VOA determines if a property is classed as domestic and liable for council tax, or as non‑domestic and liable for non‑domestic rates. The process for listing properties is supported by extensive legislation and guidance. The VOA is independent of the Welsh Government.

Both the VOA and local councils have a role in ensuring the information used for calculating liability for council tax and non‑domestic rates is accurate and up‑to‑date so owners and occupants are charged the correct amount of local tax.

The classification of properties for local tax purposes is governed by Section 66 of the Local Government Finance Act 1988. The starting point for the classification of property is whether the property is domestic. Most property used as living accommodation is defined as domestic and falls within the council tax system. Other property (including property used for business, public, infrastructure and not-for-profit purposes) is classed as non-domestic and falls within the non-domestic rating system. The legislation also sets out certain exemptions from local taxes.

The definitions hinge on the use of the property, not the physical characteristics of the property or the purpose for which it was originally built.

A property is classified as domestic if it is used as living accommodation. As well as traditional houses and flats, other types of property used as living accommodation – for example, chalets, caravans, houseboats, park homes and lodges – are subject to the council tax system.

Where a chalet is classified by the VOA as a domestic property, it will be liable for council tax unless it is eligible for a specific exemption.

Specific arrangements apply to properties providing living accommodation which are let as self-catering accommodation. A property used to provide living accommodation will be classified as non-domestic, for local tax purposes, only if it is let commercially for short periods as self-catering accommodation and meets the criteria set out in legislation (including being available to let for at least 252 days and actually let for 182 days in a 12-month period).

Chalets (and other properties) which meet the criteria are listed for non-domestic rates while those which do not meet the criteria are listed for council tax.

If a domestic property is not the primary residence of the owner, it may also be liable for a council tax premium for second homes if the local authority has determined to apply one. There are a number of statutory exceptions to council tax premiums: these include occupied caravan pitches and dwellings subject to certain planning conditions. Dwellings which qualify for an exception cannot be charged a premium but can still be charged council tax at the standard rate.

The Welsh Government has legislated to increase the maximum premium which local authorities may charge to 300% from 1 April 2023. It is for individual authorities to decide whether to apply a premium and at what level to apply it. In making these decisions, each authority needs to assess the possible impacts on individuals, communities, and the local economy.

The Welsh Government has provided [guidance for local authorities on the implementation of the council tax premiums on long-term empty homes and second homes](https://www.gov.wales/council-tax-empty-and-second-homes-html). This strongly encourages local authorities to consult before making a determination which increases a premium to a level above 100% at least six months before the beginning of the financial year to which the proposed premium increase relates. The powers to charge a premium on long-term empty and second homes are discretionary and allow local authorities to tailor their use of the powers to address local needs and reflect the different patterns of housing availability and needs across Wales.

The guidance also explains a range circumstances where an authority cannot charge a premium on a dwelling which falls within an exception. A local authority must have regard to the exceptions before charging a premium.

There is an exception from the premium for seasonal homes or holiday lets where year-round or permanent occupation is prohibited. This exception often applies to purpose-built holiday homes and chalets which are subject to planning conditions restricting year-round occupancy. From 1 April 2023, the Class 6 exception has been extended to include every dwelling restricted by a planning condition which prevents occupancy for a continuous period of at least 28 days in any one-year period; specifies its use as a holiday let only; prevents occupancy as a person’s sole or main residence.

In exercising its powers to apply a premium, an authority may also determine particular types or classes of properties within the categories of long-term empty properties or second homes to which it will or will not apply a premium. The guidance includes illustrative examples of where a local authority might consider using this discretion: these examples include lodges, caravans, or chalets.

Local authorities also have discretionary powers to reduce council tax bills and they can use these powers to reduce a bill by any amount. It is a matter for each local authority whether it uses these powers and determinations are made on a case‑by‑case basis. In the interest of fairness and transparency, local authorities should have a clear policy on whether, and how, these powers will be used.