



Ein cyf/Our ref: OQ59650

Tom Giffard MS
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19th June 2023

Dear Tom,

I committed to write to you in Plenary on 14 June, regarding a rural impact assessment on our changes to the criteria used to classify self-catering holiday lets for local tax purposes.

The changes to the local taxes form part of the wider package of measures which constitute our three-pronged approach to tackling the impact of second homes and holiday lets on communities in parts of Wales. Many of the communities most affected are in rural areas.

The Welsh Government [published](#) a Regulatory Impact Assessment (RIA) alongside the Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022. The RIA demonstrates the Welsh Government's consideration of the potential impacts of the legislation, including the potential benefits that increased letting activity would bring to local communities. A separate rural impact assessment has not been undertaken.

The Welsh Government recognises the strength of feeling among self-catering operators and has listened to the representations from individual businesses and industry representative bodies. There is limited evidence available in relation to some of these considerations and the additional information provided by the sector has been welcomed. This is taken into account in the Explanatory Memorandum and RIA, which made use of the available evidence.

In the context of the wider policy priority, to support sustainable communities and affordable housing, there is a limit to the evidence available in relation to the impact of any option, including doing nothing. This does not prevent the Welsh Government from introducing changes. In any case, historic occupancy is not necessarily a good predictor of future occupancy. This is particularly the case in the context of an intervention that is intended, in part, to incentivise behaviour change and the increased use of underutilised properties, for the benefit of local communities – including rural communities.

We recognise the stronger criteria may be challenging for some operators. There is, however, evidence that average occupancy of self-catering properties exceeded 50% over the three years prior to the pandemic. Many operators, in all parts of Wales, are already meeting the new criteria. The occupancy challenge should be considered in the context of our three-pronged approach. Where second home owners let out their homes on an occasional and casual basis, they enter into direct competition with genuine self-catering businesses in their communities.

These changes are about property owners making a fair contribution to their local communities. They also address a situation where letting a second property for just ten weeks a year could previously result in the owner paying no local taxes. Self-catering properties which do not meet the thresholds can continue to operate and make a contribution to the local community through council tax, in the same way as other homeowners already do. Those which meet the criteria will make a contribution through the higher levels of economic activity they generate.

As part of the Cooperation Agreement, the Welsh Government is continuing to take action to tackle the issues that can arise from large numbers of second homes and holiday lets in communities, and to help people to live affordably in their local areas. The package includes measures to provide support, make improvements to the regulatory framework, and ensure people make a fair contribution through the local and devolved tax systems. It also includes the consideration of a range of options for enabling empty and underused properties to be brought back into use, increasing the availability of affordable housing and driving up standards. The Welsh Government is also working closely with the tourism sector to develop a system for the registration of tourist accommodation to ensure a level playing field for tourism businesses, provide clarity and assurance for visitors, and improve our understanding of the tourism offer in Wales.

The Welsh Government recognises that these are complex issues which require a multifaceted and integrated response. We know that changes to the local taxes alone will not provide the solution. That is why we have put a package of interventions in place through our three-pronged approach. The Welsh Government is considering further research to assess the collective impact of these policies on the visitor economy and sustainable communities. While there are analytical challenges with this, we will explore the use of proxy data and qualitative research to understand these impacts over the long-term.

Yours sincerely,

A handwritten signature in black ink, reading "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping initial 'L'.

Lesley Griffiths AS/MS

**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd**