

Welsh Government: consultation on proposals for a discretionary visitor levy for local authorities

Response from Propertymark

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Background

1. Propertymark is the UK's leading professional body of property agents, with over 17,000 members. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and can advocate for legislative change on behalf of the sector.

Overview

2. The Welsh Government are consulting on proposals to provide discretionary powers for local authorities to apply a visitor levy in their areas. Specifically, the consultation sought feedback on the possible design options for a visitor levy to support decision making. The proposed legislation will enable local authorities to introduce a levy in their areas if they choose. Propertymark recognise the synergy between a sustainable tourism sector and providing housing for people living within a locality. We also believe that a levy, if implemented correctly, could be used to fund key housing challenges within local authority areas.
3. We have responded to this consultation in areas where we have expertise and where we believe the introduction of a levy could be advantageous to the housing sector. Accordingly, we have not responded to questions which we feel do not lie within our area of expertise. The consultation also looks at a wide range of considerations impacting a tourism levy. With regards to enforcement, licensing and the ringfencing of revenues, we address our views early in the consultation and did not feel it necessary to duplicate our views in these areas.

Question 1. Do you agree or disagree that local authorities should have discretionary visitor levy powers to enable a more equitable basis for the funding of local services and infrastructure between residents and visitors?

4. Propertymark agrees that local authorities should have discretionary powers to raise funds via a visitor levy for local services. We have responded to previous Welsh Government consultations

on the impact second homes and holiday lets have had on housing options for local people.¹ We see potential in using a visitors levy to fund a rebalance in providing a sustainable tourism sector with increased housing options for people living in local authority areas. The levy should be used to address the over-proliferation of holiday homes that have impacted housing options for local people.

Question 3. It is our view that the tax framework (legislation) which sets out how the levy would be applied and operated should ensure consistency of application across local authorities. However, there are some aspects such as setting rates and exemptions and determining use of revenues which may benefit from local autonomy. Do you agree or disagree with this position?

5. We agree that the levy should be applied and operated consistently across local authorities with additional flexibility built in. Local authorities are best placed to determine local rates, challenges, and risks within their area. However, they should be encouraged to consult locally to form an evidence base for the implementation and use of revenues. In terms of the use of revenues, no local authority is exempt from severe housing challenges. We believe that local authorities should be encouraged to use any revenues incurred from a visitors levy to mitigate against housing challenges. As we state in the previous question, some of which may have been further impacted by the proliferation of holiday lets as a wider proportion of housing stock.

Question 4. Are there any other aspects of the tax framework which would benefit from greater local autonomy?

6. We believe that there is a strong case for local authorities to ringfence revenues incurred from the levy to support the housing needs of the local population, which can be done in three keyways. Firstly, to top up local authorities' levels of Discretionary Housing Payments (DHP) to support housing costs for the most vulnerable. Secondly, the money could be used to boost the supply of housing be that social housing or by incentivising landlords to increase the supply of the Private Rented Sector (PRS.) Thirdly, revenues raised could be used to provide grants for homeowners to enable them to improve the energy efficiency of their homes or equally to provide grant funding to incentive landlords to decarbonise the PRS. As a precedent, the Balearic Parliament have used

¹ <https://www.propertymark.co.uk/resource/consultation-welsh-government-consultation-on-planning-legislation-and-policy-for-second-homes-and-short-term-holiday-lets.html>

their own tourism levy to address the chronic lack of affordable housing where a large proportion of holiday homes have been purchased in areas such as the Balearic Islands.²

Question 5. We propose that the levy would be a self-assessed tax for visitor accommodation providers (based on number of overnight stays) who must charge and collect the levy from visitors for an overnight stay and then remit this to the tax authority. Do you agree or disagree with this?

7. We agree and to strengthen the proposals it is fundamentally essential that a definition is provided of what constitutes as visitor accommodation to ensure the PRS is not caught up in the legislation. A definition of visitor accommodation is required based on the number of nights somebody stays in the accommodation. Some landlords rent their accommodation privately and to fill void properties, sometimes let their properties out as short-term lets for short periods of the year. We believe that to include the levy on landlords who undertake this practice could further jeopardise the overall stock of the PRS and limit housing options for vulnerable people. In this case, such properties that perform the primary function of being let in the PRS should be exempt from the levy.

Question 6. When should the levy be collected as part of the booking process?

8. We would recommend that the levy should be collected when payment has been made for accommodation.

Question 7. Do you agree or disagree that ultimate responsibility be on the visitor accommodation providers for collection and payment of the levy to the tax authority?

9. We agree that ultimate responsibility should be on the visitor accommodation providers for collection and payment of the levy to the tax authority. However, we make the following observation about how local authorities will enforce this. This could be problematic for short-term holiday lets including converted out-buildings and chalets. This would strengthen the argument and proposal to regulate second homes and holiday lets under a licensing scheme as is already in place for the PRS under the Rent Smart Wales scheme. If the proposal is to adopt local registers of visitor accommodation, then we would recommend that a joined-up approach is made on the work proposed to for council tax premiums for holiday lets and second homes. By using the council

² [Balearic tourist tax: 25% of revenue will go on housing policies \(majorcadailybulletin.com\)](https://www.majorcadailybulletin.com)

tax data of visitor accommodation that already liable for council tax premiums, the ability to evade the levy would diminish.

Question 8. Do you agree or disagree that all visitor stays within commercially let visitor accommodation should be considered within scope of the levy (unless otherwise exempted)?

10. We agree that all visitor stays within commercially let visitor accommodation should be considered within scope of the levy. It would be difficult to differentiate accommodation use for holidays, work or visiting friends and family and in doing so would take up considerable local authority officer time.

Question 9. Exemptions

11. We agree that vulnerable people at risk of homelessness using hotels, bed and breakfasts or any other form of temporary accommodation to alleviate homelessness under the Housing (Wales) Act 2014, should be exempted from the levy. Equally, exemptions should be allowed for gypsy traveller groups, those claiming asylum or refugees or any other vulnerable at-risk groups.

Question 13 To ensure fairness, it is proposed that all commercially let visitor accommodation is considered within scope of this levy. Do you agree or disagree with this?

12. From the definition of commercial let visitor accommodation outlined in the consultation document it is not clear what is meant by commercially let visitor accommodation. The definition is not clear, and clarity is urgently required.

Question 14 Should there be any commercially let visitor accommodation that is exempt from charging and collecting a visitor levy

13. Yes, certain commercially let visitor accommodation should be exempt from charging and collecting a visitor levy. For instance, there could be a property that is let on a residential basis for part of the year and let on a short-term basis to ensure that the property is not void during periods of the year. The new Renting Homes Act makes such circumstances difficult, but this could still be the case for some landlords looking to fill their property on a short-term basis. There could also be a complication where property has mixed use between short term and residential use. Such examples could include in Houses of Multiple Occupation or a block of flats. Fundamentally, we

believe that a landlord holding an occupational contract and registered on the Rent Smart Wales database should be exempt from the levy.

Question 15 Should there be a comprehensive list of visitor accommodation providers available to the tax authority to support the administration of a levy, rather than there being no registration requirements in place?

14. Yes, there should be a comprehensive list of visitor accommodation providers available to the tax authority to support the administration of a levy We agree. This laments to our overall view that a key definition of what types of property will be liable to a levy and which will be exempt is fundamentally essential to the viability of the proposal. Not only should the tax authority have access to a comprehensive list, but any stakeholders with an interest in property including property agents should also have access to allow them to advise client and investors on the implications of their investments.

Question 16 Would utilising the proposed statutory licensing scheme (as opposed to creating a bespoke tax registration scheme) provide an appropriate means by which a local authority could ensure that it has a comprehensive list of visitor accommodation providers in its area and that this information would support the operation of a visitor levy?

15. Although there is potentially some merit in adopting a levy, and we both recognise and support using the levy revenue to support housing issues in a local area, we also recognise that administration of such a scheme could potentially be very complex. We would recommend that any proposed licensing scheme would have to work in unison with the Rent Smart Wales database of registered properties within the PRS. We would also welcome clarity on whether any proposed licensing scheme would have the same definitions and eligibility as the visitor's levy.

Conclusion

16. Propertymark can see some merit in the implementation of a tourism levy administered at local authority level. We would recommend that if a levy was introduced to Wales, then the Welsh Government should liaise with property agents so they can advise possible buyers about the use of property as a holiday let and any potential implications of their purchase. We would be very happy to help the Welsh Government with this discussion or any other pertinent actions in engaging with property agents.