

Welsh Government: consultation on draft council tax (exceptions to higher amounts) (Wales)

(amendment) Regulations 2023

Response from Propertymark

December 2022

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 the draft Regulations to amend Class 6 of the exceptions to the council tax premiums for second homes. The Welsh Government are proposing to include categories of properties with the following planning conditions; restricting the use of the property to short-term holiday lets and restricting the occupancy of the property from use as a person's sole or main home. In such cases, properties would be liable for council tax at the standard rate, but a premium could not be charged.
3. To ensure the views of property agents were heard, we set up a small focus group of around five property agents who operate in Carmarthenshire, Conwy, Gwynedd, and Ynys Mon. We also did a more detailed structured interview with a property agent in Pembrokeshire.

Q1. Do the draft Regulations provide clarity on the circumstances in which a property with a planning condition can be exempted from the council tax premium? If not, how can it be improved?

4. Further clarity is needed on the policy regarding buildings that have been converted for holiday lets but could not be used for long-term lets or sold as houses. These could include chalets, stables, converted out buildings or any other buildings converted for short term use in the confines of a wider property. Our understanding that buildings of these types will be liable for council tax, but how would their tax band be classified. In the case of chalets, would each individual chalet have to pay council tax?

5. Furthermore, our member focus group revealed that of the five participants, three agents felt that the proposed regulations did not offer clarity on when a property could be exempt under planning conditions. One agent believes that properties subject to occupancy restriction i.e., cannot be occupied as full-time residence throughout the calendar year should not have to be available to let and let for the said days, although the property should be liable for some form of tax. However, they questioned whether the proposals went too far. Another member believed that a property with a planning condition should be rated entirety on individual circumstances and not pigeonholed into a generic category. A third agent who did not feel the proposals were clear stated that the proposals were very unclear and heavily reliant on individuals and agent's information which puts more pressure on both landlords and agents. They believed this could cause unnecessary strain and jeopardise the sector.

Are there any unintended consequences for the proposal to extend Class 6 of the council tax premium exception? Can you provide any examples?

6. Yes, we believe there will likely be four unintended consequences from the proposal to extend Class 6 of the council tax exemption. Firstly, fewer housing options for people. Secondly, impact on renting property on a short-term basis. Thirdly, rise in property prices. Fourthly, impact on tourism. Furthermore, we would strongly recommend if the Welsh Government went ahead with the proposal, then they should further engage with property agents to ensure they have sufficient knowledge to advise investors accordingly. We would be very happy to support the Welsh Government with this engagement of property agents.

Fewer housing options for people

7. There can be no denial, that in areas where the proportion of holiday lets is high (as a comparison of overall housing stock) the implications have led to fewer housing options, an impact on the community and allocation of services and even a negative impact on the Welsh language. However, some balance must be given to the impact tourism and indeed holiday lets has on the local economy. Local authorities must also be mindful of tackling the root problem of the lack of housing options, especially for young people and the most vulnerable. This will only be achieved by either building more social housing, which will take considerable time to restore social housing demand in line with supply. Alternatively, and perhaps more viably, local authorities need to work with landlords and letting agents in boost supply within the Private Rented Sector (PRS). Finally, an agent raised caution that the proposals could lead to investors

trying to cut their costs by targeting the lower end of the market. This could lead to further reductions in the supply of available homes for working families that are affordable.

Impact on renting property on a short-term basis

8. One concern we do have is on behalf of landlords operating in the PRS who may let their properties out on a short-term basis as holiday lets to fill voids. In this circumstance, would the landlord be liable for Council Tax premiums? If they were, this could lead to increased difficulties in landlords filling void properties and could result in some landlords exiting the sector. One method to get round this problem would be to exempt any property that is licensed by Rent Smart Wales to perform its main function as a standard contract tenancy.

Rise in property prices

9. Our interview with a property agent in Pembrokeshire property indicated that the impact may not be felt so hard in areas with the highest concentration of holiday lets in areas typically synonymous with high tourism visits. In these areas, to counter the measures, holiday accommodation providers may put prices up as tourists are likely to be happy to pay increased charges. Where the policy will be felt most hard is in areas where homes are let out on a short-term basis in less tourism driven areas. This could have an impact in areas that are developing tourism figures. Some short-term lets are not just let to holiday makers but sometimes to contract workers or people visiting an area for short-term employment options. Those considering the policy should carefully think the impact in reducing accommodation options could have on the types of people visiting and any effect on the local economy.

Impact on tourism

10. Comments from an agent from Carmarthenshire during the focus group, supported the statement that the proposals would impact developing tourism areas more than prime tourism areas. The agent believed that many property investors in Carmarthenshire were already selling their properties. However, many of these properties, particularly in coastal areas have an on-market value in the region of £450 to £600k. These types of property are unaffordable to many local families. They also believed that many investors in holiday lets were from outside Wales, and they would be looking to make profit on the sale of the property. Finally, they stated that there was already some evidence of holiday let investors moving over to the private long-term rental market. Again, given the types of property used for holiday homes, these properties often command a

rental value between £850 to £1,200 per calendar month, which like those properties on the sales market is out of reach for many local families. The Renting Homes Act also has had an impact as some holiday lets have been available for a fixed term 6 month (September to October and March to April) and then holiday lets for summer months due to either the property being void on the rental market or to avoid the property being void as a holiday let outside of the holiday season. Other comments from the focus group suggested that the proposals could damage the tourism sector in some parts of Wales making some areas less desirable to visit than others. Another agent felt that investors already heavily contribute towards the local economy, but despite the heavy-handed approach from the Welsh Government proposals, the measures in place for the PRS did not make entering that sector desirable. From a similar theme, another agent raised concern that investors could leave Wales and invest in England which they believed was already happening in the PRS.

Do you have any other comments about the draft Regulations?

11. We asked participants of the focus groups if they had any general comments at the end of the session:

One size fits all approach

12. One agent reaffirmed their position that the proposals went too far and that the policy ‘tarnished every second homeowner with the same brush.’ They believed there were sometimes genuine reasons why some people had a second home to work away from the area with the view to return to the family home in the future.

Impact on housing options

13. At the heart of these proposals is a desire to increase housing options for people living in local communities especially young people and vulnerable households. While this is a highly laudable aim, without a clear plan to engage and incentivise landlords to increase the supply of private homes, the outcome will remain challenging for people living in these areas.

Rising prices

14. By regulating the short-term market and making the sector less lucrative, some landlords of short-term properties will remain in the sector but will increase fees and rents. Some will exit the market, but it's unlikely that vulnerable and first-time buyers will benefit if holiday accommodation owners sell properties and exit the market altogether. This is precisely the reason why a buoyant PRS market is essential to increase housing options.

Need to increase supply

15. The Welsh Government must, as a matter of urgency, boost the supply of both social and PRS housing. However, their only clear method of doing so is via their social leasing scheme. The take up in some local authority areas of the scheme has been very low. One of the main reasons for this is the barrier in the guaranteed rent level of Local Housing Allowance level, which in most local authority areas is extremely limiting and far below market rents. From the tenant's perspective, the evaluation of the scheme revealed that in some local authority areas, the accommodation did not meet the needs of the tenant, and some tenants were also not aware of support available to them. We would be very happy to liaise with the Welsh Government and to act as a conduit between the professional agents in Wales who could play a key role in housing vulnerable people.

Support the private rented sector

16. Rather than continued punitive measures on letting agents and landlords which will further restrict supply, we believe it would be far more positive if the Welsh Government did more to increase supply within the PRS. While many of the levers to boost supply within the PRS are not currently within the legislative competence of the Welsh Government and reserved for the UK Government, we believe that the Welsh Government should use its influence to communicate with the UK Government and do four things. Firstly, this could include a call for the annual uprate of Local Housing Allowance. Secondly, call for the UK Government to scrap the Shared Accommodation Rate for single tenants under thirty-five. Thirdly, and a review of Broad Rental Market Areas that do not reflect fair LHA levels. Fourthly, Additionally, the Welsh Government should encourage all Welsh local authorities to spend Discretionary Housing Payments (DHP) in full and to consider top ups where necessary. Greater reassurance could be given to local authorities from the Welsh Government, that they would guarantee the level of DHP should the

Department for Work and Pensions DWP cut current levels in the future. This would give local authorities a long-term vision on improving supply for the most vulnerable.