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# WTA Response to the Welsh Government Consultation ‘Second homes: local variation to land transaction tax rates’’

**Wales Tourism Alliance**

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1. **Industry Representation**

**The Wales Tourism Alliance**

The Wales Tourism Alliance (WTA) is the recognised over-arching representative organisation for the tourism industry in Wales, liaising with, and coordinating the views of, our member organisations. Where resources allow, the WTA also consults with Government at Westminster, Cardiff and local authorities.

The WTA acts as an intermediary between Government and members, disseminating information to the industry via our on-line presence, member organisations themselves and colleagues in organisations in other parts of the UK. It also uses its networks to gather intelligence to formulate policy positions on behalf of members, seeking to inform and influence policy makers at all levels and all government departments whose work impacts upon the industry.

The membership of the WTA reflects the whole of Wales; national, regional and local representative bodies and businesses. Through its member organisations and forums resting within its general membership, this amounts to around 7,000 working operators and means WTA contacts and representatives are found in every part of Wales.

It is also multi-sectoral; accommodation (hotels, small serviced units, holiday parks, touring caravan and camping sites and self-catering agencies), attractions, activities, training and skills, tourism guides and transport.

To achieve this the Wales Tourism Alliance brings together a private and public sector partnership of tourism industry interests in Wales, including some of the biggest industry members in the United Kingdom who add their voice to ours.

The WTA exists to work with partners, including Government, on an honest broker basis. This is possible due to our trusted status, independent of Government, supported through annually renewed membership fees. The primary, national driver for strategy, delivery and engagement for the industry lies within Government – uniquely so in the UK and Ireland: The WTA provides the balancing, expert voice of tourism businesses on which successful delivery relies, aiming to make a reality of the concept of partnership.

The WTA therefore works with and on behalf of operators ranging from major industry players from across the UK to the numerous Welsh micro-businesses and SMEs that make up so much of the tourism industry.

**The WTA Response**

#### Q.1. Do you agree that the Welsh Government should increase rates of LTT for second homes and short-term holiday lets in areas where there is an evidenced case to do so?

The answer to this depends entirely on what is meant by “an evidenced case”. We have been concerned about the apparent lack of a range of impact assessments in connection with other proposals mooted around second homes and, so far, this seems no different.

This is a lever WG can pull, but what are the likely consequences? We ask you to think about:

* Vendors will sell at the best price they can.
* Vendors will not advertise their properties locally. They will advertise in parts of the UK where local prices and incomes are much higher, and where certain buyers will not be deterred by the price plus new taxes. Whether they are second home owners or business owners - again, these proposals treat them as the same thing - they will not be local.
* Those buyers will still be mindful of the cost of living rises and may choose a smaller property than they might otherwise have done. Already we see that it is the larger properties which are finding it more difficult to get bookings, so they are also less attractive as business investments as well as second homes. These proposals will push the demand into the smaller properties, keeping the prices higher at the lower end of the market.

In short, this will not assist with a more affordable local housing market. It will create a less affordable business environment market for locals considering setting up self-catering businesses without deterring purchases by people living in wealthier parts of the UK. This does not meet the policy aims on local housing, services or Welsh language.

As this policy is being developed in tandem with those for tourism tax, premium council tax rates and occupancy thresholds for NDR, we also ask you to consider the cumulative effect of these policies.

#### Q3. In your view, what procedure should be used to determine whether an area should be subject to increased rates?

#### Q4. If criteria are used to determine which areas are subject to increases in rates, what do you think the criteria should be?

This begins with the policy objective, and the three primary questions following from those:

* Will this release more housing stock?
* Will it be affordable for local people (to be defined)?
* Will it stimulate growth in jobs and local spend

It then needs to be moderated by:

* What are the unintended consequences of this policy, socially and economically. We have given you examples above

#### Q.6. What are your views on:

#### varying the existing higher rates for all higher rate transactions within a specified area? or

#### introducing new rates applied only to purchases of properties intended to be used as second homes or short-term holiday lets within a specified area?

#### Q.8. Do you agree short-term holiday lets should be subject to any increased rates, as well as second homes? Please explain your answer.

Holiday lets are currently governed by specific businesses definitions (WG/VOA) if they reach the letting threshold’s they are recognised businesses. They should be treated as such. The application of a one-size fits all policy which will damage legitimate holiday let businesses is going to have serious un-intended consequences for many struggling families in rural Wales.

#### Q.9. Do you agree properties which cannot be occupied for all of the year should not be subject to any increased rates? Please explain your answer.

Any new rates must not be applied retrospectively (no backward facing demand for additional LTT for existing owners).

Bona fide furnished holiday let businesses (FHLs) should not be included in these plans unless the intention is to apply them to all types of business property. It makes no sense to be consulting on how best to distinguish between FHLs and second homes in one consultation for a range of reasons offered by Welsh Government, only to ignore those reasons and reunite the two statuses in this one.

FHLs cannot be occupied all year round due to changeover periods, maintenance periods, new best practice on cleaning/fallow days arising from covid and actual demand.

We refer you to our submission on occupancy thresholds and our open letter to the Minister re the same. <https://www.wta.org.uk/uploads/8/3/7/1/83716138/wta_open_letter_030222.docx>

Response to second home consultation <https://www.wta.org.uk/uploads/8/3/7/1/83716138/wta_response_wg_2nd_homes_consultation_300921.docx>

Those proposals will also act as a deterrent to local business activity without any assessment made on potential loss of tax income and any assessment on the release of suitable properties back into domestic, affordable housing stock.

#### Q13 If a property was bought where the buyer’s intention was to use it as a second home or short-term holiday let but it is not then used in this way, do you think the taxpayer should be able to claim a refund of the additional tax?

In the unlikely event that a business (let alone a second home) becomes a primary residence, this would seem fair. How would you deal with flipping without incurring extra cost to check claims?

#### Q16. What effects do you think these proposals may have on the Welsh language and communities who predominately use Welsh? How could positive effects be increased, or negative effects mitigated?

On the basis that this closes down opportunity for new, locally-owned business and restricts the market to wealthier ‘outsiders’, it will have a negative effect on retaining/growing Welsh language use in particular communities.

Mitigation:

Build more modern, efficient affordable homes in Welsh speaking communities. This to include a % with local occupancy (not ownership) restrictions.

Provide incentives to locals to upgrade **suitable** empty homes to make them more attractive to buy (e.g., extend Help To Buy to doer-uppers).

***Wales Tourism Alliance – 28/03/2022***