

Classification of self-catering properties for local tax purposes

Welsh Government, October 2026

Question 1

Do you think the Welsh Government should consider a modest reduction to the letting threshold?

Yes

No

Please give reasons for your view:

Countryside Alliance Wales understands and appreciates the policy rationale for imposing a letting threshold. As in other parts of the UK, rural Wales is experiencing considerable pressure in maintaining a sufficient housing stock to allow young people to continue to live locally and maintain the future of their community, and one of those pressures arises from second home ownership. Given that business rates on a property can be expected to be significantly lower than the equivalent council tax, there is a risk of second homes being classified as holiday lets while only marginally operating as such.

With that said, there is also a legitimate public interest in maintaining the viability of holiday let businesses, which contribute to the visitor economy that is especially important to rural Wales. It is possible for a business to be viable but struggling, in which case an excessive letting threshold that risks not being met will likely mean the difference between solvency and insolvency. This is particularly important in the case of holiday let properties that would not make viable permanent homes, as subsequent responses will address.

Countryside Alliance Wales has conducted a survey of members and supporters who either operate a holiday letting business now, or previously operated one but have ceased to do so since the letting threshold was introduced on 1 February 2023. We were pleased to receive nearly 50 responses that have given us both quantitative and qualitative data on the opinions of business owners. We are using them to inform our responses.

Unsurprisingly the majority sentiment from business owners was against a letting threshold or for setting it at a greatly reduced level. On balance, however, we are broadly satisfied with the Welsh Government's proposal provided the additional exemptions it is consulting on are implemented. As with all matters the policy must be kept under review to ensure the new threshold, at whatever level it is set, is striking the right balance between protecting viable businesses and the visitor economy while minimising the risk of holiday let designations being used as a form of tax avoidance.

Question 2

What impacts do you think a modest reduction to the letting threshold would have on self-catering operators?

We believe such impacts would be overwhelmingly positive. Only 25% of respondents to our survey said that the current 182-day letting requirement had had no significant financial impact on their business; these can be assumed to relate to the most heavily occupied properties. Conversely, 13% reported some negative effect; 23% a significant negative effect; and 34% said that the requirement has put the future of their business at risk. When those reporting some financial impact were asked what it involved, the commonest response (60%) was reduced profitability; followed by reduced investment in the property (50%); that the owner was considering closing the business (48%); and reduced spending with local suppliers (45%). Separately, 45% of respondents said that a reduction in the current 182-day letting threshold would mean the difference between their continuing and stopping holiday letting.

Qualitative responses suggested that the current threshold places considerable financial and operational pressure on self-catering operators, particularly those outside established tourist hotspots, where seasonal demand makes the required occupancy difficult to achieve. The risk of failing to meet the threshold, and consequently incurring substantially higher council tax bills, creates significant stress and uncertainty, undermines profitability and discourages investment in property maintenance and improvements. Some respondents reported having to offer discounts, adapt booking patterns or devote additional time and resources to securing bookings, while others said the rules had made their business financially unsustainable, prompting them to consider selling or ceasing letting altogether.

Quotations from respondents included:

“Because of the climate in Wales it is incredibly difficult to get people to rent the cottage in the months of November, December, January, February and March. By taking away up to 150 days out of the calendar it becomes a real struggle to reach 182 days and spend time at the cottage to look after the property, carry out repairs etc.”

“This coupled with the Council Tax premium means that the council get a sizable portion of our income from the holiday let. We question whether this is a viable business given the return we get for the effort we put in.”

“The constant stress of reaching 182 days hangs over us. We are in a very popular part of Wales, St Davids, so the summer months are relatively easy to fill. From the end of September through to Easter, it is another matter. We need to offer discounts, and

special offers to encourage bookings. While Wales is beautiful in the winter, it is cold so short breaks make us no money due to heating costs. We have to fill the nights though.”

These responses reinforce our view that if the letting threshold is reduced far enough to have an impact, the immediate outcome will be a benefit to operators of all but the most reliably occupied properties, and especially to those in the more remote areas of Wales. Second-order consequences would include improved profitability for Welsh rural businesses, rural growth occasioned by freeing up greater resource for investment, more business survivals, and beneficial effects on local rural supply chains and economies.

Question 3

What impacts do you think a modest reduction to the letting threshold would have on the ability of local authorities to respond to the issues arising from any over-supply of self-catering properties?

We appreciate that a proposal to lower the letting threshold may give rise to concern that its usefulness as a policy lever to prevent the over-supply of putative holiday lets may be diminished. That is why we asked those who had previously operated a holiday letting business but left the market since 1 February 2023 what, so far as they were aware, had happened to the property.

Only 8% of respondents said that their former holiday let property had become a private home. Other reported outcomes were the sale of the property (8%); the property continuing as a holiday let but under different arrangements (12%); and the property being left unused (19%). Other respondents either did not know or said that the question was not applicable for various reasons.

One respondent said:

“We have tried the rental market but there is no demand where we live. We are a very secluded rural community with no employment other than farming which tends to be family affairs. Therefore, the only demand for the accommodation is from walkers.”

The evidence that we have, therefore, does not suggest that a reduction in the letting threshold would make a significant difference to the number of properties available for use as permanent homes. We regard that as the principal concern with holiday let over-supply.

Question 4

Do you agree with the proposed exemption for properties which are part of a wider business?

Yes

No

Please give reasons for your view:

We understand from the consultation document that this exemption would apply to businesses such as leisure parks and wildlife centres where accommodation is both ancillary to the central purpose of the business and cannot reasonably be divorced from it. This exemption is eminently sensible: council tax is manifestly not the proper tax regime for such properties and was never intended to be.

For operational reasons, many of these venues operate seasonally, so the number of nights per year for which it would be feasible to let them is already restricted. The properties themselves will not have been designed to be suitable for use as permanent homes, and the venues where they are located can be expected to be securely locked during hours of closure.

Question 5

Do you agree with the proposed exemption for large multi-unit properties?

Yes

No

Please give reasons for your view:

We support this exemption because these properties are barely distinguishable from hotels, but as they are considerably less likely to be situated in the rural areas with which we are principally concerned, we have nothing further to add.

Question 6

Do you agree with the proposed exemption for properties subject to a relevant planning restriction?

Yes

No

Please give reasons for your view:

If a property is subject to a planning restriction that prevents its use as a permanent home, there is no purpose in applying to it a measure whose intent, at root, is to raise the availability of permanent homes. Such properties are legally barred from contributing to that availability regardless of their owners' intentions.

Question 7

Do you agree with the proposed exemption for properties within the curtilage of the owner's home?

Yes

No

Please give reasons for your view:

It is reasonable for a householder to seek occasional income by letting out property within the curtilage of their home, without wishing to take on a longer-term tenant or to divide their property to allow for a sale. Such properties are unlikely to have a contribution to make to overall housing supply since the likeliest alternative for an owner who finds that the business is unviable (whether for reasons of the tax regime or otherwise) is that they simply cease letting. As one respondent explained:

"It was one reason why we stopped - or rather the final straw. We used to rent out a flat in our barn, adjacent to our house. We did not push the business hard, and usually let it out for 10-12 weeks a year. The barn is near our house and we did lose some privacy when it was let. We did not want to have it rented for a minimum of six months each year - even if we had been able to achieve that. So we stopped renting it out and therefore there is one less property for tourists to rent in our area in the Brecon Beacons."

Question 8

Do you agree with the proposed exemption for properties on the owner's farm?

Yes

No

Please give reasons for your view:

Successive governments in Westminster and Cardiff have been keen to encourage farms to diversify their businesses to seek alternative revenue streams and leave them less reliant on subsidy from the public purse. Holiday lets have proven an attractive option: 45% of the respondents to our survey reported that their holiday let property formed part of a wider farm, rural or family business.

With diversification universally regarded as a positive option for farms, offering beneficial impacts on their viability and on wider food security, an exemption for such properties that helps them continue to operate profitably is eminently sensible.

Frequently this accommodation comes in the form of ‘glamping pods’ or similar that are manifestly unsuitable for use as permanent residences. In addition, for operational reasons farms may wish to avoid letting property during particularly busy times in the agricultural year, which may reduce the number of nights for which it is viable to offer them to let when compared with other properties.

One respondent commented:

“The margin on the property letting is now so small it's hardly worth doing although it was intended to provide an income which would allow us to continue farming.”

Question 9

Are you aware of any other circumstances in which a property could not be used as a permanent home which should be considered for exemptions?

Yes

No

If yes, please give further details:

Our survey asked respondents what other circumstances they believed ought to be considered when setting exemptions. Responses highlighted the need to recognise circumstances that make a required level of occupancy difficult to achieve, for reasons beyond the operator's control. These include seasonal demand, particularly in rural areas where visitor numbers and local amenities decline during the winter; adverse weather and difficult access; the size and nature of properties, with larger accommodation often attracting bookings mainly during school holidays and weekends; and problems arising from short-notice cancellations. Respondents also emphasised the value of holiday lets in supporting rural tourism, local businesses and employment, as well as providing a means of diversifying farm incomes and bringing redundant buildings back into productive use. Some of these points may have greater bearing on the level of the letting threshold than on exemptions as such. We recommend that the totality of the letting threshold framework, including exemptions, takes account of genuine practical constraints on letting while recognising the wider economic and community benefits of self-catering accommodation.

Responses suggesting further exemptions included:

“If the accommodation is close to the owner's home, has little or no personal use (<10% say), registered as a holiday let and available for most of the year (300 days, say) then it should be classed as a business and business rates applied.”

“Any redundant building converted for holiday accommodation should be exempt or they will be left to fall into disrepair and nobody will benefit.”

“Extra on location: it's accessed only over a ford on an unmetalled road and in wet weather is basically inaccessible.”

Responses offering alternative suggestions to exemptions included:

“I think there should be a sliding scale of council tax HL based on the number of days the house is let. 0 days no discount, 20 days 10% discount, 30 days 20% discount, etc.”

“Simplicity. A bundle of rules will not work. Just cut the headline figure and start some real growth in the tourism sector.”

Question 10

What, in your opinion, would be the likely effects of the proposals on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.

1. Do you think that there are opportunities to promote any positive effects?
2. Do you think that there are opportunities to mitigate any adverse effects?

While we do not ourselves possess relevant evidence, we recommend that the Welsh Government research occupancy rates of holiday let properties in primarily Welsh-speaking areas and compare them with those in primarily English-speaking areas. This should clarify whether there is any risk that the letting threshold may be inadvertently disadvantaging primarily Welsh-speaking areas, if it can be demonstrated that occupancy rates in those areas tend to be lower so that properties there are more likely to be affected adversely by the letting threshold.

Question 11

In your opinion, could the proposals be formulated or changed so as to:

1. have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or
2. mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?

Please see the above response to question 10.

Question 12

We have asked a number of specific questions. If you have any related points which we have not specifically addressed, please use this space to record them.

[No response]