



Llywodraeth Cymru
Welsh Government

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Consultation – summary of response

Land transaction tax and second homes

Local variation to land transaction tax rates for second homes, short-term holiday lets and potentially other additional residential properties

15 July 2022

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

Overview

As part of the Co-operation Agreement with Plaid Cymru, we are committed to taking immediate action to address the impact of second homes and unaffordable housing in communities across Wales, using the planning, property and taxation systems.

The Welsh Government undertook a consultation on possible changes to Land Transaction Tax (LTT) so the tax can provide an advantage to purchasers of properties as main residences in areas where high concentrations of second homes and short term lets are impacting adversely on a community. The proposed changes could also ensure purchasers of properties for use as second homes and short term lets make a fair contribution to the communities where these properties are located.

Action Required

This document is for information only.

Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

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Additional copies

This summary of response and copies of all the consultation documentation are published in electronic form only and can be accessed on the Welsh Government's website.

Link to the consultation documentation: <https://gov.wales/second-homes-local-variation-to-land-transaction-tax-rates>

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Introduction

The Welsh Government has set out an “[ambitious three-pronged approach](#)” to address issues of affordability and the impact of second homes and short-term holiday lets on communities and the Welsh language. The 3-pronged approach is working towards:

- support - addressing affordability and availability of housing
- regulatory framework and system - covering planning law and the introduction of a statutory licensing scheme for holiday accommodation, and
- a fairer contribution - using national and local taxation systems to ensure second home owners make a fair and effective contribution to the communities in which they buy.

This consultation was the third in a series on planning and taxation measures, following consultations on [local taxes for second homes and self-catering accommodation](#) and [planning legislation and policy for second homes and short-term holiday lets](#). We also consulted on our [Welsh Language Communities Housing Plan](#).

The consultation sought views on how changes could be made to Land Transaction Tax (LTT) to give more opportunity to people who are looking to buy homes for permanent occupation. In particular, the consultation proposed local variation of LTT to reflect the challenges faced by some communities and sought views on:

- whether respondents agreed with the proposal;
- the size of the areas in which local variations could take place, for example across local authority areas or within smaller communities;
- the procedure for identifying the areas where different rates may apply;
- the types of transactions that could be subject to different rates in local areas;
- possible tax administration requirements of the proposal; and
- impact of the proposals on the Welsh language.

The consultation

Views were invited as part of a 14-week consultation exercise that began on 20 December 2021 and ended on 28 March 2022. The consultation document was published on the consultation pages of the Welsh Government’s website. Respondents were able to submit their views and comments on paper, by email or online, and in Welsh or English.

The consultation exercise applied to Wales only.

Who responded to the consultation?

The consultation received a total of 846 responses including those received up to seven days after the deadline. These reflected a wide spectrum of interests and

views. All these responses have been considered and analysed. The respondents represented a range of interest groups, as follows.

Private individual*	– 747
Self-catering/holiday let/B&B	– 14
Caravan Parks/Camping Sites/Lodges	– 1
Other businesses	– 13
Representative body, professional body or association, or similar	– 25
Charity/Third sector organisation	– 5
Town/Community Council	– 18
Elected representative	– 6
National Park	– 1
Unclear	– 16
Total	– 846

* Where no details are provided in the 'Organisation' field of the consultation questionnaire, it is assumed that the submission was made by the individual in a private capacity.

Two external campaigns encouraged people to respond to the consultation and provided a template response. Approximately 450 responses to the consultation exercise used the templates provided by the campaigns either in their entirety or with differing views on certain questions.

A list of organisations that responded to the consultation is at Annex A. Where respondents have asked for their details to be withheld, they are identified as 'Anonymous' in order to comply with the General Data Protection Regulation.

Summary of responses

This document is intended as a summary of the responses received. It does not aim to capture every point raised by respondents. The consultation document asked 18 questions and the responses to each are summarised below. Not all respondents replied to every question. Some provided a general response to the consultation rather than answering specific questions. Where this is the case, the response is included under the most appropriate question. Some responses to specific questions did not directly relate to the question being asked. In such instances, the responses are categorised as not being relevant to the question, but the content of those

responses has been considered with reference to the broader issue raised by the consultation questions.

Question 1

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

There were 844 responses to this question. 85% of respondents (718) were in favour of the proposal to increase rates of LTT for second homes and short-term holiday lets in areas where there is an evidenced case to do so, while 15% of respondents (126) opposed the proposal. Two respondents did not offer a view. Both campaigns supported the proposal of localised rates. Of those responses not linked to the campaigns, over two-thirds (67%) were in favour.

The webform did not enable respondents to provide their reasoning for their view for this question, however respondents provided reasons for their views on this issue when responding to subsequent consultation questions which are outlined below.

Several national and regional organisations supported the proposals. The Welsh Local Government Association (WLGA), the organisation that represents the 22 local authorities (LAs) in Wales, welcomed the proposals, stating the measures could:

“strengthen the ability of Councils to provide their residents with access to affordable housing and to ensure that people pay proportionately to support the communities in which they purchase properties”.

The proposals were also supported by the Farmers Union of Wales (FUW), the Welsh Language Commissioner, Community Housing Cymru, One Voice Wales and a number of town and community councils.

The reasons given in support of the proposals included:

- second homes and holiday lets impact negatively on communities, including by decreasing the number of year-round residents that can support local services such as schools and business such as shops;
- these properties contribute to the challenges of house prices affordability;
- a lack of available properties has a severe impact on people’s lives, leading people to live in poor conditions or to move out of their local areas;
- in areas where use of the Welsh language has been widespread historically, the proliferation of second homes and holiday lets puts pressure on the Welsh language as a language of everyday community use;
- owners of second homes and holiday lets can afford to make a financial contribution to the communities in which their property is impacting.

Owners of second homes and holiday lets and representative organisations of the holiday letting sector typically opposed the principle of introducing new rates for purchases of second homes and holiday lets. Some stated that the measures could affect businesses that support tourism and have a negative effect on the local economy.

The Wales Tourism Alliance and The Professional Association of Self-Caterers UK, two organisations that represent holiday letting businesses, suggested that the proposed changes would not lead to 'a more affordable local housing market'. They stated the proposed changes could lead prospective buyers of second homes and holiday lets to purchase more affordable properties, increasing competition for those seeking housing at lower price points. Further, they suggested the measures would make it more difficult for local people to establish holiday letting businesses, without deterring more affluent people from buying second homes.

Organisations representing tax advisers and estate agents were also generally opposed to the proposals.

The reasons given for being opposed to the proposals included:

- Second homes and holiday lets make an important economic contribution and increasing LTT rates could impact on people's ability to make a livelihood.
- Recurrent taxes, such as the council tax premium and business rates, offer a more effective means of addressing the use of dwellings as second homes and holiday lets than making changes to LTT.
- The proposed measures would add administrative complexity to the tax system and do not adhere to Welsh Government tax principles of stability and simplicity.
- The proposed measures would increase costs for the Welsh Revenue Authority (WRA), taxpayers and conveyancers.
- The Welsh Government has previously encouraged agricultural businesses to diversify and the proposals are contrary to this.

Question 2

2. What are your views on whether the size of areas covered by local variation of rates should be local authority-wide or only in smaller communities?

There were 812 responses to this question. The majority of respondents (57% / 463 responses) indicated that it should be possible for varied rates to apply either to whole LA areas or smaller communities, depending on the needs and circumstances of specific areas. 21% (170) indicated that varied rates should apply to whole LA areas. 10% supported varying rates in smaller communities. While the consultation focussed on local variation and therefore did not ask whether increased rates should apply nationally, 3% (9) of respondents stated they would prefer to see a national approach, with the rates applying across Wales. 5% of respondents (40) reiterated their objection to localised rates; while 4% (33) provided responses that were not relevant.

The respondents who believe it should be possible to vary rates both at LA level and at the community level noted that second homes affect different geographical areas to varying degrees and therefore different policy responses are required in different areas.

The WLGA favoured a community-level approach:

“The ability to provide for increased Land Transaction Tax rates in smaller geographical areas is vital. A uniform approach across entire local authority areas would blunt the effectiveness of the increased rates to influence decision making around purchasing second homes and short-term holiday lets.”

Many respondents who indicated a preference for acting at LA-level stated that this was preferable to a community-level approach, where there would be a greater risk of displacement, with people potentially buying second homes and holiday let properties in nearby communities where increased rates do not apply. It was claimed that opting for smaller areas would increase administrative complexity for the authorities and increase conveyancing costs. Some respondents stated that an LA-wide approach is fairer than a community-level approach, as there would be more limited scope for the emergence of a postcode lottery dynamic, with different rates applying to properties located closely together.

Those who favour a community-level approach emphasised the differences in how second homes and holiday lets affect various areas and called for action to target the areas where the impacts are greatest. This group of respondents noted two concerns with an LA-based approach. Firstly, some respondents were concerned that LAs may not request that the new rates apply if it were a requirement for them to apply across the LA in cases where the impacts of second homes and holiday lets are not acute across the entire LA area. Secondly, an LA-wide approach could affect transactions that are not intended to be captured, namely those outside tourism hotspots.

Respondents who favoured a national approach viewed housing challenges as applying nationwide and/or viewed this as the most effective approach to help ensure the impact of second homes and holiday lets on local communities does not increase in parts of Wales beyond current tourist hotspots.

More broadly, respondents raised a number of additional considerations relevant to the question, including emphasising the importance that areas where the rates apply are defined clearly and that taxpayers and advisors can easily obtain the information as to what rate applies, that there is a clear democratic link between decision-makers and the areas where the rates apply, and that some LAs are geographically much larger than others.

Question 3

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

There were 795 responses to question 3. Of these responses, 87 did not provide a relevant response.

66% of respondents (523) stated that the decision whether an area should be subject to increased rates should be based on analysis carried out by local authorities (LAs) or on a decision made by LAs based on need. Of these respondents, 478 respondents felt the decision should be based on analysis drawing on the use of formal criteria.

16% of respondents (131) stated that the decision should be made on the basis of criteria-based analysis, without stating that there should be a role for LAs in undertaking this analysis.

16 respondents (2%) suggested the decision should be based on consideration of evidence of need, without referring to criteria.

13 respondents (2%) stated that the community should be consulted or have the power to determine whether the rates apply in their local area. Barmouth Town Council stated that town and community councils should decide whether an area should be subject to increased rates.

Four respondents, including the Wales Tourism Alliance and the Professional Association of Self-Caterers UK called for decisions to be based on economic impact assessment focusing on the tourism industry.

17 respondents (2%) stated that the proposals should apply nationally, an approach that would not require a decision-making system.

Two respondents, the Tax Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) and Aberystwyth Town Council, did not indicate a preferred model, but stated that the Welsh Government should ensure resources are available to enable the responsible authorities to undertake appropriate reviews.

The Welsh Local Government Association (WLGA) did not state a preference for a particular model but emphasised the need to ensure LAs play 'a central role in developing the mechanisms for determining which areas would be subject to changes in rates' and that the Welsh Government works 'collaboratively' with LAs to determine the areas in which the increased rates of LTT would apply.

Question 4

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

There were 788 responses to this question, of which 681 provided relevant comments. 11 respondents stated that they disagreed with using criteria to determine which areas are subject to changes in rates.

The vast majority of responses (79% / 619) stated that the criteria should be based on the percentage of second homes and holiday lets as a total of all residential property in an area.

A significant minority (12% / 94) suggested the criteria should be based on housing affordability, average house prices and/or average local incomes.

30 respondents (3.8%) stated the criteria should take into account the percentage of Welsh speakers and/or the impact of second homes and holiday lets on the Welsh language.

8 respondents (1%), including some who oppose the proposed measures, stated that the criteria should relate to economic impact.

12 respondents made a variety of alternative suggestions, including basing the criteria on the number of empty homes in the area.

Question 5

5. What are your views on how regularly areas where increased rates should be reviewed?

There were 758 relevant responses to this question.

21 respondents stated that reviews should take place 'regularly' but did not specify how often reviews should take place. Other respondents responded as follows:

Frequency	Number / Percentage
More frequently than annually	11 (1%)
Annually	622 (82%)
Every 2–3 years	37 (5%)
Every 4–5 years	21 (3%)
Less often than every 5 years	35 (5%)
Never	11 (1%)

A minority of respondents provided an explanation for their expressed preferred time period.

A typical response from those who wished to see annual reviews was that regular reviews would be needed because house prices can rise rapidly and there needs to be a correspondingly swift response. Others noted that annual reviews would enable changes aligned to the council tax cycle. Caernarfon Royal Town Council was among respondents who noted a preference for annual reviews, but stated that this was dependent on LAs having sufficient resources to conduct reviews.

The Welsh Language Commissioner wished to see regular reviews, emphasising:

“We believe that areas where the rates have been increased should be reviewed, and consideration given to any other areas in which the rates should be increased, on a sufficiently regular basis so that timely action can be taken to safeguard the sustainability of Welsh as a community language... We recommend that the Government ensures that local authorities can make an urgent case to vary rates immediately, if evidence emerges that supports the need to do so.”

The Wales Tourism Alliance and the Professional Association of Self-Caterers UK, two organisations which oppose the introduction of localised rates, stated that reviews should take place ‘at least annually’ to ensure any errors ‘can be corrected quickly to offset wider negative economic impacts in the region’.

Other respondents emphasised the importance of stability. CLA Cymru claimed the review period should be no more frequently than every 5 years, citing concerns over the administrative ‘burden’ of more regular reviews and noting that frequent reviews could be ‘contrary to providing stability in the tax system’.

The Chartered Institute of Taxation (CIOT) and Stamp Taxes Practitioners Group (STPG) stated that time would need to elapse before the effect of increased rates could be considered and that ‘frequent reviews leading to changes could serve to undermine the principles of stability and simplicity’. The Tax Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) responded along similar lines, stating that ‘it would be difficult to assess the effectiveness of the measure over the short-term’ and that ‘taxpayers need certainty and changes to the tax system should be kept to a minimum’.

Question 6

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?**

There were 801 responses to this question. A significant majority (79%) took the view that new rates should be applied only to purchases of properties which were intended to be used as second homes or short-term holiday lets. Where a reason was offered for taking this view, it was that this would focus on the problem looking to be addressed.

Only 4% of respondents wished to see the existing higher rates increased for all additional residential property purchases. The reasons offered in support of increasing the existing rates were to avoid the increased complexity of considering the intended use of a property and the potential opportunities for avoidance this would provide. It was also viewed by some respondents as the most effective way to help control house price inflation. One respondent also offered the view that those who can afford to purchase additional properties can afford to pay more tax.

8% of respondents did not wish to see either an increase to the existing higher rates or the introduction of new rates for second homes and holiday lets. The remaining 9% of respondents did not offer a view on the most appropriate option.

Question 7

7. Does the size of the area (the whole of the local authority or smaller areas within it) in which increased rates would apply influence your views on whether separate rates for second homes and short-term holiday lets are necessary?

793 people responded to this question. The majority of respondents (85%) did not consider that the size of area where the increased rates would apply would influence their view on whether separate rates for second homes and short-term holiday lets were necessary.

50 respondents (6.3%) said the size of the area would influence their views on whether separate rates were necessary. Respondents did not tend to explain in what direction their view would be influenced. However, a small number of respondents indicated that if the size of the area were sufficiently small to be targeted there would not also be the need to target the types of transaction.

Question 8

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

There were 820 responses to this question. A significant majority (83%) supported the view that short-term holiday lets should be subject to increased rates. The reason most often offered for this was the impact holiday-lets have on the availability of housing for permanent occupation, with 76% of those who supported increased rates for holiday lets raising this issue. Other issues which were regularly raised included the impact of holiday lets on house prices or contributing to affordability issues for local people. 14 respondents also raised concerns for potential avoidance opportunities for second home owners if short-term holiday lets are not also subject to increased rates.

The impact of short-term holiday lets on the availability of housing was raised not just in terms of the availability of housing for purchase, but also the availability of housing for rent. A small number of respondents raised the profit which they perceived could be made from holiday-lets inflated house prices even more greatly than second homes and incentivised owners to enter the holiday-let market as opposed to making the property available for long term rental.

One respondent stated,

“I recently got a job offer in Powys but I can’t find any housing near my work (or anywhere in the county for that matter). Even when I look at paying 80% of

my wage on rent I still can't find anything because everywhere is holiday homes."

14% of those who responded to this question did not agree holiday-lets should be subject to increased rates. 39% of those that did not agree with increased rates for holiday lets said they stated their reason as being they did not agree with any increases in rates. 27% were concerned for the impact on people's livelihoods. 15% raised the economic contribution made by holiday lets.

13 respondents (1.5%) suggested holiday lets should be charged increased rates except where certain conditions were met. These conditions included:

- where the holiday let is within close proximity to the owner's main residence
- where the holiday let contributes to local employment
- if there are low levels of homelessness in the area
- where the intention is to provide a permanent home for a family member at a later date and the property is used as a holiday let in the meantime.

Question 9

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.

There were 793 responses to this question. 12% agreed that properties which cannot be occupied for all of the year should not be subject to any increased rates. The reasons given for this view included that these properties cannot provide anyone with a permanent home but do contribute to the tourism economy and have less impact on communities and services.

The Welsh Language Commissioner stated,

"Such properties do not form part of the normal housing stock that would be available for local people to live in. For that reason, there is no need to try to limit the number purchased as second properties, as it does not affect the ability of local people to buy a main home locally."

20% disagreed and felt these properties should be subject to any increased rates. Some respondents argued that there should be a principle of increasing tax on all second homes regardless of whether it could be a permanent home or not. Other reasons given contradicted those in support, stating that these properties still impact on communities and services. Some respondents also stated these properties provide as much permanent accommodation as some people can find, with people living in restricted use accommodation as their main residence for as long as is permitted and staying with friends and family for the time they are not able to reside there.

The largest proportion of respondents (64%) qualified their answer that it depends on the definition of which properties cannot be occupied for all of the year. Most of these respondents stated that if it is feasible for the property to be used throughout the year then increased rates should apply. For some responses, it is not clear whether the respondents considered it to be feasible to live in a property subject to restricted

occupancy conditions. Others were explicit that there should only be exemptions for those properties where it is unsafe to occupy for a full year, not where there are planning restrictions. These respondents considered this was justified as the person who purchases a property with restricted occupancy conditions would know about it at the time of purchase. Some respondents also raised concerns that not increasing rates for restricted occupancy properties would introduce a “loop hole” which would enable avoidance.

Question 10

10. Are there any current higher rates transactions, other than second homes and short-term holiday lets, for which you think increased rates may also be appropriate? Please explain your answer.

There were 741 responses to this question. 110 responses said that there were no additional transactions which should be charged increased rates. Most of these responses (480) were not relevant to the question but raised concerns about people being able to have use of a second home, without paying the higher rates or second home and holiday lets rates, by funding the purchase of the property but with the transaction being undertaken by someone else on their behalf, in particular, children, and partners in the case of unmarried couples.

A number of respondents suggested increasing taxes beyond LTT, for example introducing a tourism tax or taxing the purchase of caravans. A number of respondents also suggested increasing land transaction tax on the purchase of agricultural land for the purposes of carbon offsetting.

Other suggestions were made for increased rates on:

- transactions undertaken by companies based outside of the UK;
- buy-to-let properties;
- property purchases for investment which are not occupied;
- transactions where the intended use is as a house of multiple occupation or student house;
- empty properties;
- land for use as a caravan park.

Question 11

11. Do you agree that there should be a clawback rule so that if within a specified period after the date of the transaction, the use of the property changes to one on which increased rates would have been payable, the taxpayer should have to submit a new return and pay the additional tax?

There were 801 responses to this question. 700 (87%) respondents indicated that they supported the proposal to introduce a clawback rule, while 81 respondents (10%) indicated that they opposed the proposal.

506 respondents indicated that a clawback rule was important to combat avoidance activity and 420 respondents indicated that a clawback rule was essential to ensure the effective functioning of the new rates. 188 respondents emphasised that the key consideration when determining whether the rates should apply was the use of the property following purchase and that a clawback mechanism was necessary because the intended use of the property at the point of purchase is inherently uncertain.

Six respondents suggested that the clawback mechanism should be linked to the proposed use class changes to planning regulations. Four respondents stated that a clawback rule was necessary to ensure fairness.

CLA Cymru opposed the proposal of introducing a clawback rule on the basis that they did not agree with a system where the rates applying are based on intended use at the point of purchase. They stated this could lead to uncertainty for the taxpayer and additional burdens for taxpayers and the Welsh Revenue Authority (WRA). The Chartered Institute of Taxation (CIOT), while opposed to a system based on intended use, stated that a clawback rule would be important as an anti-avoidance mechanism if the rates were to apply based on intended use, but highlighted this mechanism would add complexity to the system.

Question 12

12. Are there any circumstances where such clawback rules would apply, but you do not consider that it would be appropriate or fair?

Of the 743 responses, 662 (89%) did not consider there to be circumstances where clawback rules would apply when this would not be appropriate or fair. 54 (7%) respondents believe there could be circumstances where clawback rules could apply unfairly. A small minority (27 / 4%) provided responses that were not relevant.

Several respondents suggested it would be inappropriate for clawback rules to apply where the change of use resulted from circumstances that could not have been foreseen at the time of the property's purchase.

15 respondents (2%) felt it would be inappropriate for clawback rules to apply in the case of inherited property where the intention is for use as second home or holiday let. It is worth noting that under the consultation's proposals, the clawback mechanism would not be relevant in the context of inherited property, although the second homes rate could apply depending on the circumstances of the inheritance.

Two respondents, including the Chartered Institute of Taxation (CIOT), felt it would be inappropriate for the clawback rules to apply when the owner of a property purchased for use as a buy to let was unable to find a tenant or if a series of tenancies fell through in a short period and therefore turned the property into a holiday letting business or left the property empty for a period.

Six respondents felt clawback rules should not apply where a main residence was used as a holiday let or second home in instances where the owner required long

term medical care away from their main property or needed to provide care in the home of a friend or relative. Further, six respondents claimed that those facing financial difficulty should be able to turn their main residences into holiday letting businesses without being subject to the clawback mechanism.

Question 13

13. 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?

Of the 759 responses to this question, 590 respondents (78%) indicated that it should not be possible to claim a refund of the additional tax if a property was bought where the buyer's intention was to use it as a second home or short-term holiday let and the property is not then used in this way. 148 respondents (20%) felt that refunds should be permitted in this context. 6 respondents (1%) stated that refunds should be allowed in certain circumstances. 15 responses (2%) were not relevant to the question.

A large majority of those who did not feel a refund mechanism was appropriate cited concerns that such a measure would create scope for ambiguity that could lead to avoidance activity (431 / 73%). Another issue raised by 426 of the respondents who objected to a refund mechanism was that this is a proposal where the tax charge is based on the intended use of the property on the date of purchase and so no refunds should be provided if the intended use changed after the date of purchase.

Nine respondents stated that refunds should be permitted as people's circumstances change. Six respondents claimed that permitting refunds would provide an incentive for those purchasing property for use as a second home and/or a holiday let to change the use of that property to a main residence. A further 5 respondents stated that a refund should only be available if the property is used as a main residence shortly after purchase.

Question 14

14. What length of time do you think would be appropriate for a clawback and/or refund period?

646 respondents provided a clear, time-based response on the issue of the length of a clawback period, while 168 respondents provided a relevant response on the issue of the length of a refund period. Reflecting the fact that the overwhelming majority of consultation respondents objected to idea of permitting refunds, the bulk of respondents (678 respondents / 80% of all respondents) chose not to provide a relevant response to the question on the length of a refund period.

Responses were grouped into categories and are displayed in the table below. Percentages are displayed as a percentage of relevant responses.

	Clawback period	Refund period
Up to 1 year	30 (5%)	31 (18%)
1–2 years	60 (9%)	63 (38%)
3–4 years	54 (8%)	20 (12%)
5–9 years	18 (3%)	16 (10%)
10+ years	32 (5%)	16 (10%)
The whole life of ownership	452 (70%)	22 (13%)
Total	646	168
No relevant information or unclear	200	678

The table shows that a large majority of those providing a relevant response (452 / 70%) believe that a clawback mechanism should apply for the entire period during which the property purchaser maintains ownership of the property. Fewer than a quarter of relevant responses (144 / 22%) indicated a preference for a short clawback period of less than five years.

A majority of respondents who provided a relevant response (94 / 56%) indicated a preference for a short refund period of up to two years. This is a period shorter than the existing 36-month residential higher rates refund period.

Few respondents provided a reason in support of their preferred time period. Some respondents stated they felt the period they selected was fair. Some that chose that there should be a long-term or whole life clawback mechanism stated that second homes harm communities and so a clawback should apply indefinitely. The Cymdeithas yr Iaith campaign (34 responses) stated that a three year period would be appropriate for the clawback mechanism, as this would reflect the current residential higher rates refund period. Citing the same reason, a small number of respondents claimed that a three year period would be appropriate for both the clawback and the refund period.

The Chartered Institute of Taxation (CIOT) drew attention to the need to consider making provision to deal with scenarios where the intended use changes more than once in the clawback and refund periods. For example, the owner could claim a refund if the second home was used as a main residence (such as by a relative) for a short period and then the use could revert to that as a second home within a relatively short time.

Overall, the evidence indicates there is strong public support for a long clawback period and either no refund period or a short refund period.

Question 15

15. If rates are introduced which require consideration of intended use, do you have any comments on how the design could make it simpler for taxpayers to comply with by minimising the scope for error?

There were 654 responses to this question, with the majority of respondents making more than one suggestion.

436 respondents stated that there should be a notice in the LTT return reminding taxpayers of the tax rules relating to the purchase of second homes and holiday lets.

444 respondents suggested that public authorities, such as Local Authorities (which administer council tax and the council tax premium), the Welsh Revenue Authority (which administers LTT), and planning authorities, should share information to help identify properties used as second homes and holiday lets to support compliance activity.

404 respondents stated that there should be punitive penalties for non-compliance, suggesting this could provide an incentive for taxpayers to become familiar with the rules and to submit accurate returns.

38 respondents suggested a link could be made between the tax administration system and the planning system to assist with compliance.

30 respondents, including the Welsh Language Commissioner, emphasised the need for communication around the proposed new rate to be clear and easy to understand. Of these respondents, several called for clear definitions around second homes and holiday lets, while others requested clear guidance with examples based on different scenarios to help taxpayers understand their tax liabilities.

30 respondents suggested that it would be beneficial for tax authorities to undertake an awareness-raising campaign. According to the Tax Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW), a campaign could be aimed at taxpayers, conveyancers and estate agents in the areas where the new rates would apply.

Six respondents suggested that estate agents, solicitors or other practitioners should assist taxpayers by making clear the proposed new rates apply.

Question 16

16. We would like to know your views on the effects that this policy would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

There were 638 relevant responses to this question. 90% (578) felt the proposed measures would have a positive effect on the Welsh language, 6% (37) felt the proposed measures would have no effect on the Welsh language, and 4% (24) felt the proposed measures would have a negative effect on the Welsh language.

Respondents who believed the proposed measures would have a positive effect on the Welsh language typically stated that the proposal would help Welsh speakers to stay in their communities (474 respondents) by easing the pressure on the housing stock (220 respondents) and improve housing affordability by stabilising prices (377 respondents). Further, it was claimed that the measures would help support Welsh as a living language in communities where the language is widely spoken. The measures would promote sustainable communities throughout the year, thereby supporting local services such as schools and benefit the economy by supporting businesses. This would increase opportunities for the use of Welsh in businesses and in social care settings locally.

Some respondents who felt the measures would negatively affect the Welsh language stated that they would detrimentally affect local economies (20 respondents), especially in areas where tourism is important, making it more difficult for Welsh speakers to continue to live in their local communities. For 4 respondents, the root issue was a lack of well-paid employment in Welsh-speaking communities that is not addressed by the proposals. One respondent claimed the measures could incentivise non-Welsh speakers to move permanently rather than partially to areas where Welsh is widely spoken, thereby having a greater impact on these communities than would otherwise be the case.

One respondent who believed the measures would have no effect on the Welsh language claimed that the new rates would have little deterrent effect and that those with the financial means would still buy second homes despite the higher tax charge. Another respondent noted concern that the impact of second homes on Welsh language communities would remain similar if the new rates applied only to small areas, as second home buyers would purchase properties in neighbouring areas where Welsh is also widely spoken.

Few respondents commented on how positive effects could be increased and/or negative effects mitigated. Eight respondents suggested that the additional revenues generated could be used to promote the Welsh language (for example, by providing free Welsh lessons). One respondent suggested the revenues could be used to support the housing stock for local people, while another respondent suggested they could be used to build additional social housing. One respondent suggested a lower tax rate should be introduced for local people, alongside the proposed measures.

265 respondents, including over half of respondents who drew on the main campaign response template, suggested that the new rates should be increased if the policy aim is not met in the short term.

Question 17

17. Please also explain how you believe the proposed policy could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

There were 156 relevant responses to this question. 110 responses indicated that the new rates should be reviewed regularly and increased, if necessary, to the level at which there were effective at protecting the language.

12 responses to this question suggested using some of any additional revenues raised to support Welsh-language community activity and/or to fund Welsh lessons for buyers of second homes and holiday lets. Four respondents suggested tax-related incentives should be introduced for Welsh speakers and learners.

A small number of respondents made other suggestions, including:

- Using any additional revenues for the benefit of local communities
- Exempting properties that cannot be permanently occupied from LTT charges to supports jobs, including for Welsh speakers
- Increase the nil-rate band for first time buyers, some of which are likely to be Welsh speakers
- Expanding the scope of the new rates to cover all types of transaction involving properties that are not to be used as primary residences

Question 18

18. We have asked a number of specific questions. If you have any additional points related to LTT for second homes and short-term holiday lets which have not specifically addressed, please make them here?

Responses to this question covered a broad range of topics, with several respondents emphasising points they had raised earlier in their submissions.

A large number of respondents stated that the language used in the consultation document is challenging.

The points raised by those broadly in favour of the measures included the following:

- Second homes and holiday lets have a considerable impact on local communities.
- The lack of properties available for purchase has a severe impact on people's lives and leads to people moving away from their local areas or to live in poor conditions locally.

- There is a need for increased rates for purchases of second homes and holiday lets to ensure the sustainability of communities and to protect the Welsh language.
- People who have the means to purchase a second home can afford to make a contribution to the community affected by such purchases.
- The new rates on second homes and holiday lets should be considerably higher than the existing rates.
- To avoid loopholes, the measures should be robust and simple.
- The proposed measures should not be implemented as a pilot, and they should apply in all areas where second homes impact on local communities.
- The Welsh Government should act in a joined-up way across policy areas. There is a need for stricter planning regulations limiting second homes to ensure availability of long term lets. Licences should be required for holiday letting with stringent regulatory standards.
- Welsh language lessons should be available to those moving to Wales and especially to areas where Welsh is widely spoken.

Some respondents who are partially in favour of the proposed measures reiterated their view that the new rates should only apply to purchases of second homes and that purchases of genuine commercial holiday lets should be exempt from the new rates.

A number of respondents commented they believed the proposed measures may do little to discourage second homes purchases. This was raised by both those who were generally in favour of the proposal and those opposed. For those in favour, it was crucial for the proposed new rates to be set at a high level to be effective at discouraging second home purchases. Those who were opposed doubted the effectiveness as people who are sufficiently wealthy to purchase second homes will do so regardless of any additional LTT charge.

The points raised by those broadly against the measures included the following:

- Greater consideration should be given to the benefits of second homes. Second homes and holiday lets make an important economic contribution. The measures could have negative consequences the tourism industry and for small businesses more broadly.
- Second homes do not impact on the Welsh language.
- Affordability is not as challenging in some parts of Wales that are attractive to tourists as elsewhere.

- The key solution for communities in the context of housing challenges is to ensure there are well-paid jobs available for local people. There would be fewer housing challenges if there were more well-paid jobs for local people and the focus should be on supporting employment rather than on discouraging purchases of second homes.
- The perception that the measures are unfair to second home owners. Some respondent suggested that the proposed measures could be viewed as anti-English, as, while the measures would apply to all, there is a perception many buyers of second homes and holiday lets are English or live in England.
- The Welsh Government has historically encouraged agricultural business to diversify by converting buildings into holiday lets. It would not be consistent for the WG to discourage such activity by applying additional taxes.
- A second homes rate could have a negative impact on those who work or own businesses in two locations and require housing in two places.
- It can be beneficial to communities when holiday let businesses bring empty homes back into use.
- Some second homes are owned by people who have moved away from the community for work-related reasons, maintain strong links to the community in which they own a second home and make a contribution to that community.
- The proposed measures could impact on the resale value of properties used by local people as part of holiday letting businesses. This is a concern for those who intend to sell properties as part of their retirement planning.
- The definitions around second homes and holiday lets need to be clearer.

Other comments

- A small number of respondents commented that there should be clarity about how any additional revenue raised will be used. Some, including Community Housing Cymru, the organisation that represents Welsh housing associations, stated that any additional revenues should fund the building of affordable housing and social housing in the communities in which the revenue was raised. Others suggested investing in the provision of Welsh-language classes for people who buy second homes.
- Further consideration should be given to how to prevent 'flipping between primary and second homes to avoid the second homes LTT rate.

Government response

The Welsh Government is grateful to everyone who has submitted a response. As a summary document, not all issues outlined in responses may have been reflected fully, but each response has been considered carefully. The absence of issues or suggestions in this summary does not mean they have been disregarded. Many issues may remain relevant to the wider programme of work as part of the Welsh Government's three-pronged approach to address issues of affordability and the impact of second homes and holiday lets on communities and the Welsh language.

Next steps

The Welsh Government has noted the strong support for local variation of LTT in a way which focusses on the transactions which create problems in some communities. The strong support for local authorities to have a role in determining the areas where rates are varied, has also been noted. The Welsh Government will now work with local authorities to develop a national framework within which they can request for increased LTT rates for second homes and holiday lets to be applied in their area. The responses to this consultation will be further considered in developing the framework.

Annex A – List of organisations that responded to the consultation

Awdurdod Parc Cenedlaethol Eryri/Snowdonia National Park Authority

Barmouth Town Council

Cerrig y Barcud Holiday Cottages

CLA Cymru

Coastal Hospitality Ltd

Comisiynydd y Gymraeg / Welsh Language Commissioner

Community Housing Cymru

Crompton Land & Development Limited

Cwmni Am Ffansi

Cyd-Greu/Co-Create

Cylch yr Iaith

Cyngor Cymdeithas Botwnnog

Cyngor Cymuned Dolbenmaen

Cyngor Cymuned Llandwrog

Cyngor Cymuned Llandygai

Cyngor Cymuned Llanengan

Cyngor Cymuned Llanfrothen

Cyngor Cymuned Llanfrothen

Cyngor Cymuned Llanyyter

Cyngor Cymuned Llanuwchllyn

Cyngor Tref Aberystwyth

Cyngor Tref Criccieth Town Council

Cyngor Tref Frenhinol Caernarfon

Cyngor Tref Nefyn

Cyngor Tref Nefyn / Nefyn Town Council

Cyngor Tref Penrhyndeudraeth

Dyfodol i'r Iaith

EY Ernst & Young LLP

FUW (Farmers' Union of Wales)

GISDA
Gower Heritage Centre
Grwp Resilience CBC
Hawl i fyw adra
Home Owners of Wales Group
Llais y Goedwig
Menter Iaith Fflint a Wrecsam
One Voice Wales / Un Llais Cymru
Propertymark
Pupils 2 Parliament
Rhabarth Caerfyrddin-Penfro, Cymdeithas yr Iaith
Royal Town Planning Institute - Cymru (RTPI Cymru)
Siarter Cartrefi
Sounding Body
Sylfeini
Tai Hai Faeldref
Tax Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW)
The Bothy at Tyddyn Du
The Central Association of Agricultural Valuers (CAAV)
The Chartered Institute of Taxation (CIOT) and Stamp Taxes Practitioners Group (STPG)
The Forest Cottages
The Institute of Revenues, Rating and Valuation (IRRV)
The Professional Association of Self-Caterers UK
Wales Tourism Alliance
Welsh Local Government Association
Wern Fawr Manor Farm
Wern Newydd