22 September 2026

Dear

ATISN 27421 – Information relating to the classification of self-catering properties for local tax purposes

Thank you for your request which I received on 27 August 2026.

In relation to the classification of self-catering properties for local tax purposes, you asked for information held by the Welsh Government about the following matters:

1. Whether or not Small Business Rates Relief (and any other reliefs available to self-catering properties) can be backdated from the date of demonstrating that the business met the 252/182 criteria to the date on which the property began to be a self-catering holiday let.
2. If such relief cannot be backdated, the policy or legal basis for relief applying only prospectively, given that eligibility for business rates status itself is assessed retrospectively.
3. Any internal guidance, correspondence, or policy papers considered by the Welsh Government when designing the interaction between the retrospective letting-criteria test (including the 2026 changes introducing the two-year averaging and charitable short-break allowance) and the timing of relief entitlement.
4. Whether this asymmetry has been raised in any consultation responses, Senedd committee scrutiny, or stakeholder correspondence relating to the 2026 changes to self-catering criteria, and if so, copies of any such correspondence or the Welsh Government's response to those points.
5. Whether the Welsh Government discussed, prior to agreeing this policy, the effect of the retrospective letting-criteria test combined with prospective-only relief on new self-catering holiday let businesses in their first year of trading.
6. Whether the Welsh Government took into account the financial hardship this would cause new self-catering operators — who must fund a minimum of 18 weeks' Council Tax in their first year, on top of ordinary start-up costs, before their business rates status and any relief is recognised.
7. Whether any refunds of Council Tax (or equivalent adjustments) have been made to ratepayers who were subsequently assessed as having met the business rates criteria for the period in which they were still paying Council Tax, and if so, how many such refunds have been made and over what period this data is held.

Our response

I can confirm the Welsh Government holds some information within the scope of your request. In relation to each of your questions, it is relevant to first summarise how property used as living accommodation (particularly self-catering accommodation) is classified for local tax purposes.

Most property used as living accommodation is classified as domestic for local tax purposes and falls within the council tax system. Specific arrangements apply to properties which are let as self-catering accommodation, whereby they are classified as non-domestic only if they meet certain criteria (they otherwise continue to be classified as domestic by default). Since

1 April 2023, the criteria include the property being available to let for at least 252 days and actually let for 182 days in the previous 12-month period. Criteria related to historic letting activity were first introduced in 2010, when properties were required to have been available for at least 140 days and actually let for at least 70 days, before they could be classified as non-domestic.

The criteria used to classify self-catering properties in Wales for local tax purposes are set out in section 66(2BB) of the Local Government Finance Act 1988. Properties which meet the criteria are listed for non-domestic rates from the relevant date (i.e. the date on which all criteria were first met), while those which do not remain listed for council tax. Some refinements to the application of the letting criteria took effect from 1 April 2026, which may help some self-catering properties to achieve or maintain non-domestic classification.

Question 1
Non-domestic rates reliefs cannot be backdated to apply during any period in which the property was used to provide self-catering accommodation, but had not achieved the criteria referred to above to be classified as non-domestic.

Question 2
A property is subject to the policy and legislative framework for non-domestic rates, including any reliefs it is eligible for, from the date on which the criteria referred to above are first met. This means that it is not possible for non-domestic rates reliefs to be applied to a property at a time when it was classified as domestic and subject to the policy and legislative framework for council tax.

Question 3
It was not considered necessary to design any specific interaction between the application of the letting criteria and entitlement to relief, for properties classified as non-domestic. Classification of a property necessarily comes first and determines which local tax policy and legislative framework (i.e. in respect of council tax or non-domestic rates) a property is subject to. Any reliefs a property is eligible for will be applied from the relevant effective date, when a property is classified as non-domestic.

Question 4
This matter was not raised in any consultation responses, Senedd committee scrutiny, or stakeholder correspondence relating to the 2026 changes to self-catering criteria.

Question 5
Criteria related to letting activity in the previous 12 months were first introduced in 2010. The criteria are intended to ensure that property owners are able to realise the benefits of non-domestic classification only once the required level of commercial activity has been achieved. The Explanatory Memorandum and Regulatory Impact Assessment for the increased letting criteria which took effect in 2023, which sets out the aims and anticipated impacts, is published alongside the associated legislation.

Question 6
No specific consideration of potential financial hardship for new operators was considered necessary. Any relevant property will already be subject to council tax by default, whether or not the owner is considering using it to provide self-catering accommodation. The local tax liability during the initial period of any new business is, therefore, predictable. This is one of many costs that a prospective new business would be expected to consider in deciding

whether to proceed. A property which does not meet the letting criteria may still be used as self-catering accommodation on an ongoing basis, with the operator continuing to meet their council tax liabilities.

Question 7
Where a property is listed for non-domestic rates, any overpaid council tax since the effective date will be refunded by the relevant local authority. The Welsh Government does not hold any information about whether any refunds of council tax have been made in respect of the period prior to the effective date, in respect of which the property remains subject to council tax. This would be a matter for the 22 local authorities in Wales.

Next steps

If you are dissatisfied with the Welsh Government's handling of your request, you can ask for an internal review within 40 working days of the date of this response. Requests for an internal review should be addressed to the Welsh Government's Freedom of Information Officer at:

Information Rights Unit
Welsh Government
Cathays Park
CARDIFF
CF10 3NQ
Email: Freedomofinformation@gov.wales

Please remember to quote the ATISN reference number above.

You also have the right to complain to the Information Commissioner. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF
Website: www.ico.org.uk

However, please note that the Commissioner will not normally investigate a complaint until it has been through our own internal review process.

Yours sincerely,