NFU Cymru Consultation Response

To: CTandNDR.Consultations@gov.wales

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Contact: Dylan Morgan
Tel: 01982 554200
Email: Dylan.Morgan@nfu.org.uk

NFU Cymru Response
Welsh Government: Classification of self-catering properties for local tax purposes

NFU Cymru welcomes the opportunity to respond to Welsh Government's consultation on classification of self-catering properties for local tax purposes.

NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. NFU Cymru's vision is for a productive, profitable and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, cultural and social benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.

The value of supporting Welsh food production

The importance of the farming industry in rural Wales cannot be over-stated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the £10.2 billion Welsh food foundation sector, with 223,500 people employed across the food and drink supply chain. We are proud that the Welsh public associate Welsh farmers, first and foremost, with providing safe, high quality and traceable food and at NFU Cymru we want to ensure that consumers in Wales, the UK and further afield can continue to enjoy and choose the top-quality food that we produce here in Wales – now and in the future.

Welsh farmers look after over 80% of the land area of Wales, maintaining and enhancing our natural environment – Wales' key asset. Farming activity supports a diverse range of species, habitats and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales' tourism and recreation sector. Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language. The Welsh agricultural industry has the highest proportion of Welsh speakers, more than any other sector.

Overall Welsh farming makes an unparalleled contribution to the economic, environmental, social and cultural well-being of Wales in line with the Well-Being of Future Generations Act summarised in Annex 1.

Question 1 Do you think the Welsh Government should consider a modest reduction to the letting threshold?

Yes, NFU Cymru have opposed increasing the letting threshold in the past and so are in favour of a reduction as the current threshold is too high, making it difficult for some commercially let properties to meet especially where they are particularly rural or isolated.

With long weekends or short breaks becoming increasingly popular, consumers are less willing to travel longer distances to more inaccessible rural properties. Such properties therefore are unable to be as flexible in lengths of available hire as those which are easier to reach and have good transport

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links and therefore lose out on this element of business. Higher thresholds can be perceived as being unfairly biased towards more urban lets.

In England and Scotland, the letting threshold is set at 70 days. Reducing it to this in Wales would put the devolved nations on a level playing field. However, NFU Cymru realises that this is a big decrease. By way of a precedent, before it was abolished, HMRC's preferential tax treatment of furnished holiday lets had thresholds requiring properties to be available for short-term letting to the public of 210 days and then actually let for 105 days or more in each tax year. This was considered to represent a commercial use of the property and roughly aligned with the number of school holiday weeks in a year plus a few weeks either side.

A reduction to 105 days therefore could be considered as rational based on an established understanding and NFU Cymru are a strong advocate for this.

Question 2 - What impacts do you think a modest reduction to the letting threshold would have on self-catering operators?

The policy rationale behind the increased thresholds in Wales was to deal with second homeowners avoiding council tax liabilities as well as housing shortages. Holiday lets on farms are usually repurposed redundant farm worker cottages or converted redundant farm outbuildings. They would almost never be used as second homes and due to their on-farm location, would be extremely unlikely to enter the local housing market either for sale or to rent. The policy rationale to improve the housing market therefore is not met when considering holiday lets on farms.

Many of our members' self-catering holiday lets would benefit from Small Business Rates Relief if they could meet the letting threshold. Falling short of the threshold however places such properties within the council tax system. Our members have told us that they are finding it very difficult to reach and maintain the letting threshold which they attribute to their rural locations. Many of these are now within the council tax system and as such, are having hefty council tax premiums applied on them due to their properties being classified second homes. Under the business rates regime or where council tax was applied without premiums, these holiday lets, not meeting the threshold, still provided a reasonable income stream to support the farming business. In the current situation, the council tax plus premiums are reportedly wiping out any profits generated.

If the cost of not meeting the threshold is passed on to the consumer, this may put such properties at a competitive disadvantage to English and Scottish comparables meaning that consumers who wish to holiday in the UK but have no particular preference will choose cheaper options in England and Scotland.

An additional comment that NFU Cymru would like to make is that it is unfair to punish genuine holiday let businesses which are already earning less than others due to lower booking rates, with crippling financial burdens through the council tax system.

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?

Question 4 - Do you agree with the proposed exemption for properties which are part of a wider business?

NFU Cymru does not have an opinion on this particular exemption.

Question 5 - Do you agree with the proposed exemption for large multi-unit properties?

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Yes. Whilst probably more common in different settings and locations, this type of property does sometimes exist on farms where redundant farm buildings have been converted into multiple smaller self-catering units. For business rates purposes, this type of property is usually assessed as a single combined unit. If applying this logic to the 182 day threshold requirement, it is difficult to see how the threshold would be assessed for multiple units. It would also be very distorting where one year the property is classed as a single unit but the next, 6 individual units.

In addition, for business rates, the Rateable Value of the property (assessed as a single combined unit) is more likely to be higher than that of up to two individual units and so may not qualify for 100% Small Business Rates Relief if at all, in which case, these properties are likely to already be making a contribution to local communities.

Turning back to the policy rationale of the thresholds, the individual units in these properties are usually purpose built for holidays with rooms being fewer and smaller than flats or houses built for permanent residential accommodation. It is unlikely that such properties could be rented out or sold as long term accommodation.

Question 6 - Do you agree with the proposed exemption for properties subject to a relevant planning restriction?

Yes. Planning restrictions come in various forms but typically they restrict occupation though use. Limiting the use to self-catering holiday accommodation only rather than permanent residential accommodation, limiting the number of days the property may be used in a year or limiting use to certain times of the year, are all fairly common. These restrictions tend to be more usual where the property in question has required planning consent for example a new purpose built property on a farm or the conversion of a redundant farm building.

It seems only reasonable that where the ability to meet the threshold is limited or where a property is incapable of being classed as a dwelling for council tax purposes, then exemption from the thresholds should apply.

It is important to note though that not all self-catering properties on farms have planning restrictions limiting occupation, particularly those which are former farm worker cottages and have not required planning consent to be used as holiday lets.

Question 7 - Do you agree with the proposed exemption for properties within the curtilage of the owner's home?

Yes. NFU Cymru agrees that self-catering units on land which includes a primary residence of an owner (or occupier) under the same title deed should be exempt. Such properties are likely to have been erected or converted specifically as a self-catered holiday unit and so are probably smaller and of a less permanent construction than that of a typical permanent dwelling. They are also likely to share parking and access with the owner and are unlikely to have their own water or electricity supply.

Due to their size, construction and location it is unlikely that such properties could be sold or let on the open market and so would not function as a second home. Neither are they affecting levels of housing stock as this was not the purpose of their construction.

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Question 8 - Do you agree with the proposed exemption for properties on the owner's farm?

Yes. Farms in Wales have been increasingly encouraged to diversify into non-agricultural activities to provide alternative income streams which help support farming businesses and alleviate some volatility associated with farming. Farmers are under increasing pressure to look at alternative sources of revenue.

Self-catering units are a common diversification on farms as they make good use of redundant buildings or underutilised spaces without losing productive agricultural land. The self catering units themselves tend to be either redundant farm worker cottages or converted farm buildings.

NFU Cymru does recognise the concern that some dwellings on farms may be suitable for sale or long term letting but in the majority cases, it would not be appropriate to let out or sell on private markets. Due to access, location, security and biosecurity, most holiday let properties could not be occupied independently of the farm as the owners need to be able to control occupation. They are therefore not impacting on the reduced availability of housing stock.

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:

NFU Cymru would like to make the point that it very much supports a number of the exemptions suggested within this consultation and would welcome the opportunity to be involved in the design of these.

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?**

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?**

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.

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Annex 1 - The Contribution of Agriculture to the Well-Being of Wales

The Welsh Government Well-Being of Future Generations (Wales) Act 2015 is designed to improve the social, economic, environmental and cultural well-being of Wales. The Act establishes seven goals that all public bodies, including Welsh Ministers, must work to achieve. The contribution that farming makes to achievement of all seven goals is unparalleled by any other industry, as highlighted in the following below:

Well Being of Future Generations Act: Well-being Goals	NFU Cymru: Agriculture is the Answer
A prosperous Wales	• 50,400 employed full or part time in farming in Wales • £2.1billion Gross Output • Farming underpins a food supply chain worth over £8.1billion • Over 233,500 people in Wales are employed in the agri-food sectors –Wales's biggest employer • The Welsh countryside managed by farmers provides the backdrop for the tourism industry worth over £2.8billion • The Welsh agricultural industry is a key generator of wealth and employment for the people of Wales
A resilient Wales	• Farmers care for 81% of total land area of Wales – that's over 1.84m hectares • Farmers care for over 90% of the land area of Wales • 600,000 ha of environmentally designated areas • Farming supports a diverse range of species, habitats and ecosystems

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	• Farmers provide a range of ecosystem services including carbon sequestration and management, water quality and water quantity management for flood alleviation • Nearly 30% of agricultural land in Wales is tenanted • 106,000km of hedgerows and dry stone walls across Wales • Wales woodland and forestry cover extends to 306,000 hectares • Low carbon, local energy installations have the potential to meet 57% of Wales's electricity consumption and the evidence shows a large proportion of projects are located within Wales's rural local authorities • GHG emissions from agriculture have declined by 20% since 1990 and further decreases are being achieved through production efficiency measures • Welsh farmers play a key role maintaining and enhancing our natural environment and supporting the provision of a full range of ecosystem services
A healthier Wales	• Welsh agriculture is a key provider of safe, nutritious, high quality Welsh food which plays a fundamental contribution in supporting the physical and mental well-being of the people of Wales • Welsh farmers are known to operate to some of the highest standards of welfare and production in the whole world • Welsh farming also delivers a significant proportion of Wales's access provision which includes 16000 miles of footpaths, 3000 miles bridleways, 1200 miles of cycle network, and 460,000 ha of open access land • Welsh farming makes a key contribution to the physical and mental well-being of the people of Wales
A more equal Wales	• Rural Wales is home to 33% of the Welsh population. • The vitality and potential of rural areas is closely linked to the presence of a competitive and dynamic farming

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	sector. The NFU Cymru 'Why farming Matters to the Welsh Economy' shows that each family farm is typically economically linked to some 40-80 other businesses in the region • Through direct and indirect employment in rural communities, Welsh farming underpins the rural economy and contributes to a more equal Wales
A Wales of cohesive communities	• Farming in Wales is predominantly made up of small family farms with the average size of 48 hectares. • Local communities in rural Wales are heavily dependent on agriculture for financial and social prosperity. • Leadership and voluntary roles in rural communities • Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas
A Wales of vibrant culture and thriving Welsh language	• Agriculture has the highest proportion of Welsh speakers of any sector. • 43% of workers in Agriculture, Forestry and Fisheries speak Welsh compared to an average of 17% across all workers in Wales. • Farming is the bedrock of rural communities across Wales which have been shaped by farming activity spanning hundreds of years. Farmers continue to maintain these traditions, preserving rural culture and sense of place • Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language
A globally responsible Wales	• Current levels of self-sufficiency at a UK level are at 60% • Future challenges to our global food production system include climate change, a growing UK and global population, water scarcity. Given its climate and rainfall, Wales is predicted to be an area of favoured production in the future • Welsh farmers have a key role to play feeding the people of Wales and in contributing to global food security now and in the future.

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