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# **WTA Response to the Welsh Government**

# **‘A Fairer Council Tax for Wales’ consultation**

**11th August 2022**

**Wales Tourism Alliance Ltd**

77 Conwy Road,

Colwyn Bay,

LL29 7LN

Company No: 4449548

**Industry Representation - The Wales Tourism Alliance**

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

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

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

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

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

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

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

**Questions & Answers**

**Question 1 The council tax bands are currently based on property values from 1 April 2003, almost twenty years ago. Do you agree there should be a council tax revaluation in 2025, with property values based on 1 April 2023, to maintain the credibility of the system and distribute the tax burden more fairly? The purpose would not be to raise additional revenue through this exercise.**

*Provided that properties do not move into different bands*, and the outcome simply reflects that all property prices have risen, then we understand the purpose.

*However,* we are not persuaded that this will be the outcome and are sceptical that “the purpose would not be to raise additional revenue (overall) through this exercise”. The [Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 202](https://gov.wales/draft-non-domestic-rating-definition-domestic-property-wales-order-2022)2 (“the Order”) which moves some businesses from the NDR system into the council tax system was ostensibly introduced to address second homes, but later it became (in the Explanatory Memorandum) explicitly to raise more money for local authorities. As you have no idea how many properties this will include, we believe the aim of *this* exercise being cost neutral overall will not be met.

We, therefore, challenge the statement that “the purpose would not be to raise additional revenue (overall) through this exercise”. We say that the word “overall” is a disingenuous distraction from the reality that this exercise *will* result in higher charges for some properties. The IFS quotation, “The purpose of a revaluation is to redistribute the tax burden between households according to the latest information available about economic circumstances” is clear about that. Unless you are able to indicate approximately how many, it is difficult for you to assert with confidence that this will be revenue neutral.

Because of industry-wide unhappiness with the consultation process around the introduction of the 182-day occupancy threshold, we would also like an assurance that this consultation is being run as per the commitments made in The Welsh Ministers’ Business Scheme. This Scheme is made under Section 75 of the Government of Wales Act 2006, which requires the Welsh Ministers to make a scheme setting out how they propose, in the exercise of their functions, to take account of the interests of business in Wales. The Welsh Ministers’ Business Scheme sets out the broad principles and shared values that will govern the relationship between the Welsh Ministers and the ‘social partners’ in Wales. We consider ourselves to be social partners for the purpose of the Scheme, being the primary independent representative body for tourism in Wales.

Weighting of responses: We represent over 6000 businesses across Wales. How will our response be weighted accordingly, as against a single response from one household in this consultation, for example. No mention is made as to the weighting given to social partner representation.

We also say that you need to consider that *many businesses are run from homes or domestic properties, more since the introduction of the Order.* This group needs particular attention as they are not mere “dwellings”. Although it also captures non-tourism businesses (internet businesses, artisan baking etc.) we give you the examples of the professional furnished holiday let businesses (FHLs) that now have to operate from “dwellings” (as that is the type of property liable for council tax), as well as those Historic Houses that are also visitor attractions or wedding venues. How do you plan to treat these hybrids in any new valuation?

**Question 2 Do you agree the Welsh Government should consider adding more council tax bands (for example at the top and bottom ends of the scale) and refit the bands to help make the system more progressive?**

No. The use of the word “progressive” here implies that owners of large properties are either also income rich or in a position to liquidate their capital asset easily. Apart from being a false assumption, that should not be a factor in determining the value of the property. What is the relevance of means testing here, other than as an option for exemptions from payment?

*One major improvement which could be introduced as part of this exercise is better transparency as the VOA’s methodology for valuing properties and hereditaments.* This would limit the perception of too much subjectivity in valuing non-typical properties, where there are concerns that condition and cost of maintenance and repairs are not always easy to see in the final valuation. This matters as the consultation talks about changes in relative value as well as absolute value, and without that transparency, we are not confident that changes in relative value will be calculated robustly.

Whether more bands are added or not, a typical property, which are actually *(in whole or in part) used for business, charitable or educational purposes should be allowed dispensation if they fulfil certain criteria.* For example:

* An equivalent to the main exemption in the ATED tax payable mainly by companies that own UK residential property valued at more than £500,000. i.e., for dwellings opened to the public at least 28 days per year, for public services, such as day visits, weddings, special events and tours, as long as the property advertised such services on its website and the business met HMRC’s ‘commerciality test’;
* For other dwellings opening to day visitors at least 28 days per year and advertised as such on a website
* For historic dwellings opening as in (i) or (ii) above and owned in charities and for historic dwellings, listed as Grade I or II\*, in rural areas (as defined in the 1996 Housing Act) opening by appointment and available to be visited by any member of the public at least 28 days per year, and advertised as such on a website

Expanding the bands on the face of it sounds like a good idea, but it may simply mean that you blight higher end properties within Wales particularly rural areas. The perception will simply put those who may be willing to take an older more rural property on of from doing so. It may result in a property being unsaleable, empty for many years only to fall derelict and disappear. Any new bands need to take account of the impact on old and historic Welsh buildings.

**Question 3 The Welsh Government is committed to considering transitional arrangements if needed to smooth the effects of reforms. What factors should we take into account when designing these arrangements?**

From April 2023, the new 182-day Order means that some professional FHLs will be liable to existing premium rates of council tax in local authority areas where they have already been introduced. We request that those properties still trading, and trying to develop their business to reach the 182 days occupancy to qualify for NDR, should be given a transition period; pan-Wales. As well as the haste with which the Order was made, all sectors within the tourism industry are trying to recover from the effects of the pandemic at exactly the same time as experiencing a staff shortage and the cost-of-living crisis (which affects them directly as well as customers).

*We argue that FHLs caught by the Order should be charged at a discounted rate equivalent to a 50% reduction in their Council Tax until they are able to achieve the new occupancy threshold or a different defined transition period.*

*Additionally, we have made representation that the following properties should be exempt from the terms of the new 182-day Order. However, if negotiations fail, they should receive a proportionate reduction during the transition:*

1/ Properties that are limited by planning permission to only be short term commercial lets.

2/ Properties that lie within the curtilage of an owner’s primary residence.

3/ Owners who have multiple units on one site, (e.g., a holiday cottage complex) can average occupancy across the units.

4/ Farm diversification businesses.

5/ Where the units are not housing stock withdrawn from the market but can be proved through recorded planning and building control that they have been created from vacant commercial or agricultural buildings.

6/ Exemptions for cottage businesses that are in effect "small resorts" or complexes. Sites that have multiple units on site owned by the same person, where facilities are provided for and shared by those staying on site. For example, if they have pools and games rooms, gyms, a play area, coffee shops. The practicalities (or even the ability) to actually split a business where some cottages would meet the new 182-day criteria and others would not, would be basically impossible.

7/ Where the property is run by a charity.

8/ Weeks given by owners to raise money for charities should count towards days let, max two weeks per year (Either for Charitable status or Not for Profit).

9/ Where the accommodation is a supplementary part of a bigger business, events, weddings etc.

10/ If your short-let business is VAT rated

11/ Period of grace for new business entrants who would not get to 182 days in the first crucial years.

**Question 4 Do you agree the Welsh Government’s Revenue Support Grant to councils should be adjusted to take account of changes to revenues raised in each local area as a result of council tax reforms?**

The prospect of local authorities being able to retain more of their locally raised revenue is attractive - but only if there is no compensatory deduction from the RSG. Otherwise, there will be no incentive to raise further money themselves. Pushing local authorities to raise more of their own money comes with the threat of too much disconnect between who is taxed and who benefits, where unfair burden leads to the risk of ‘killing the goose that lays the golden egg’. Without reciting the whole argument here, this is one of the worries about a bed tax, where it is not a case of polluter pays.

It is not for us to comment on the current criteria for how the RSG is determined, beyond noting that there seems to be no data on how well the notional amount included for enhanced population reflects the actual spend on the three services affected. However, the fact that a local authority has a higher number of higher rate council tax payers than its neighbours is not necessarily an indication of the needs of service users. As we represent a number of rural businesses, we can say that sparsity and a decline in the younger population now present challenges to the provision of accessible services.

**Question 5 Do you agree there should be frequent council tax revaluations at least every five years in the future, to ensure the tax burden is shared fairly amongst taxpayers on a regular basis?**

We are not in a position to comment on the optimum period for revaluation. We need assurances that exemptions will be given for the above in questions 2/3.

**Question 6 When properties are significantly improved, properties are only reviewed and potentially re-banded in certain circumstances, for example when the property is sold to a new owner. The Welsh Government is seeking views on whether this policy should change in the future.**

While understanding the rationale behind this question, we have some concerns…

Firstly, when a property owner has improved their dwelling, it will have come at a cost which is not immediately recoverable, if at all, and will have been paid for from savings or borrowing, a capital sum. There is an argument for a transitionary exemption for an owner to recover/enjoy the benefit of an enhanced dwelling before they have to pay for that enhancement through higher council tax banding.

This particularly pertinent where the enhancement is for business purposes or to maintain an historic property. With a significant proportion of FHLs worried about the need to spend money they may not have on improving their offer in order to reach the new 182 occupancy requirement, the prospect of moving to a higher band will be a disincentive to invest. This will potentially have an impact on the quality of offer.

Anything from 5% to 20% VAT on works is already a disincentive to those operating on tight margins, be it domestically of commercially.

The VOA and councils simply do not have the resources to police the current system, let alone a more regular cycle of valuation. Again, we query the “revenue neutral” assertion here. More personnel mean significant new cost and no-one will thank you for raising taxes just to pay for more public servants to enforce them.

**Question 7 Do you have any views on rights of appeal for taxpayers or how council tax debt is managed? Please include any suggested improvements for either of these elements.**

We note yet another consultation has been issued for NDR appeals, which we are pleased to see are being considered. It would have been helpful to consider the two together for consistency.

**Question 8 What are your views on how the Welsh Government, the Valuation Office Agency, councils, or other organisations can modernise the service provided to taxpayers and improve transparency of the council tax system?**

Please see answer to Q2. It is telling that there are so many valuation appeals.

It would certainly help if various digital systems were compatible but we are deeply nervous about GDPR compliance and cybersecurity. The cost of a secure data-sharing system is likely to be prohibitive but when Welsh government has broken data protection laws more than 300 times in less than three years, you can see why we are sceptical.

As the consultation document says, “the information asset created as part of that exercise would be highly useful”, which is exactly why this needs to be kept in accordance with GDPR and protected from use by organised crime and hostile third parties.

**Question 9 What is your view on the existing discounts, disregarded persons, exemptions or premiums? For example, do you think the current rules are appropriate and fit-for purpose? Are there particular aspects of the rules which you think need to change or new rules created?**

Full exemptions from the Order should be provided for the following properties, not just exemptions from premiums. Otherwise, again, exemptions from premiums should apply to the following:

# 1/ Properties that are limited by planning permission to only be short term commercial lets.

# 2/ Properties that lie within the curtilage of an owner’s primary residence.

# 3/ Owners who have multiple units on one site, (e.g., a holiday cottage complex) can average occupancy across the units.

# 4/ Farm diversification businesses.

# 5/ Where the units are not housing stock withdrawn from the market but can be proved through recorded planning and building control that they have been created from vacant commercial or agricultural buildings.

# 6/ Exemptions for cottage businesses that are in effect "small resorts" or complexes. Sites that have multiple units on site owned by the same person, where facilities are provided for and shared by those staying on site. For example, if have pools and games rooms, gyms, a play area, coffee shops. The practicalities (or even the ability) to actually split a business where some cottages would meet the new 182-day criteria and others wouldn't, would be basically impossible.

# 7/ Where the property is run by a charity.

# 8/ Weeks given by owners to raise money for charities should count towards days let, max two weeks per year (Either for Charitable status or Not for Profit).

# 9/ Where the accommodation is a supplementary part of a bigger business, events, weddings etc.

# 10/ If your short-let business is VAT rated

# 11/ Period of grace for new business entrants who would not get to 182 days in the first crucial years

**Question 10 What is your view on whether the Welsh Government should have more flexibility in future to set the rules for the statutory single adult and empty property discounts?**

The Welsh Government has not demonstrated the need for, or purpose of, more flexibility.

**Question 14 Should Welsh Ministers have a duty to set a national scheme to be administered locally by councils, which allows the Welsh Government to make in-year changes if required?**

Yes, it should always remain a national scheme administered by local authorities for consistency across Wales.

**Question 15 Should the existing local arrangements form part of the new national scheme for consistency, whilst acknowledging that councils still retain existing discretionary powers under legislation?**

Yes, the existing local arrangements should form part of the new national scheme for consistency.

**Question 16 We would like to know your views on the effects that the proposed policies 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?**

We do not believe there would be any significant effect or impact on the Welsh language at this stage of consultation. The current risk is that Welsh-speaking families whose FHLs cannot reach the new occupancy threshold will close their businesses and sell to non-Welsh-speaking part time or full-time residents.

**Question 17 Please also explain how you believe the proposed policies 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.**

See above.

**Question 18 We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.**

The gap between tax revenue and public spending in Wales is currently running at around £13.7bn, which is 19.4% of GDP. This figure compares with a deficit of 2% of GDP for the UK as a whole. Our economy needs supportive measures to be taken with immediate effect.

Instead, the current slew of taxation proposals and the resulting new legislation or amendments merely focuses on more take from the same beleaguered businesses and individuals who are now focusing in on retracting investment from Wales. Wales, along with the rest of the UK, is the second most highly taxed tourism industry in the world, and while most of the levers are not in the hands of Welsh Government, we can ask that Welsh Government does not make the situation even worse; in terms of fairness and competitiveness.

In terms of timing - post pandemic, staffing, global energy costs, cost of living crisis. We need time to recover, not face further burdens from the Welsh Government now in relation to increasing taxation and unknown regulation.

The WTA has been looking forward to building an increasingly mature and engaged relationship with Welsh Government. Their locally-embedded small business membership is ideally placed to collaborate on a community-up, regenerative tourism industry which can be proud of the highest quality and warmest welcome at all price points. Instead, our energy and resources are being sucked up by endless consultations rather than helping businesses find their way through these difficult times. The hard-line policy positions arising from the Co-Operation Agreement have created distrust of Welsh Government on the part of businesses/individuals, completely undermining the more positive relationships built during the Covid Pandemic.

This is not where we want to be in our own relationship with Welsh Government. While we do not receive government support to be a critical friend, unlike our sister Alliances in Scotland and England, we absolutely believe a critical friend is what Welsh Government needs in this space. It is our role to convey sentiment, informed opinion and evidence of members from all sectors of the industry and all corners of Wales: We are not here to moan or overplay a hand.

**Wales Tourism Alliance Member Organisations**



**​BRITISH HOLIDAY & HOME PARK ASSOCIATION**
The British Holiday & Home Parks Association (BH&HPA) is the only organisation established exclusively to serve and represent the interests of the parks industry in the UK. Membership is made up of the owners and managers of park home estates, touring, tenting and glamping parks, holiday caravan parks, chalet parks and all types of self-catering accommodation



**ASSOCIATION OF WELSH AGENTS**
​T​he Association includes virtually all the Wales-based Agencies (plus one just over the border!) and collectively its members market in the region of 2,500 self-catering units. The group aims to facilitate communication between the Self Catering Agents, Visit Wales and the WTA. .
Members include: Brecon Beacons  Holiday cottages; Best of Wales; Coast and Country Cottages; FBM Holidays; NW Holiday Cottages; St Brides Bay Cottages Ltd; Snowdonia Tourist Services & Wales Holidays



**​HISTORIC HOUSES WALES**
​Whilst Historic Houses main duty is to the Membership, one of our core aims though our owners and their actions is to provide an asset that promotes well-being for the Visitor to Wales and the Welsh Population through greater access, awareness and community pride in our houses.



**MWT CYMRU**
MWT Cymru is the Destination Marketing Organisation (DMO) for the Mid Wales region (Powys, Ceredigion & Meirionnydd) Representing over 600+ tourism and hospitality businesses we provide a collective voice for business from all sectors including accommodation, attractions & activities, restaurant and retail.
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**​NORTH WALES TOURISM**
North Wales Tourism is one of the UK's leading tourism organisations, supporting 1,300+ businesses within and connected to the tourism industry across North Wales.  Together, we are an active and successful community of businesses united by a common purpose - a successful and sustainable tourism industry in North Wales. ​



**​​THE CAMPING & CARAVANNING CLUB**
**​**As the world's oldest and largest Club for all forms of camping, Representing over 500,000 members, the facilities and services are developed by people who share a love of camping and caravanning..



​**THE CARAVAN & MOTORHOME CLUB**
**​**The Caravan and Motorhome Club is a community of a million people who love the great outdoors. Known as The Caravan Club until February 2017, it operates the largest privately-owned network of quality touring sites in the UK, offering members access to over 200 Club sites and 2,500 privately-owned places (Certificated Locations or CLs) to stay. It has 18 Club-badged larger sites and around 250 CLs in Wales. The Club provides expert advice and training courses, overseas travel services and tours, insurance services and exclusive offers and discounts to members.



**PLANED**
A community-led partnership based in West Wales, with over 30 years’ experience of implementing integrated rural development through supporting enterprise, tourism, heritage and environmental activities, through community engagement and participation.
Passionate about supporting people and ideas that change communities, we encourage a community culture of enterprise supporting people to harness their skills, knowledge and enthusiasm –to safeguard their future. This is achieved through delivering locally tailored initiatives, which build on existing community strengths and empower local people, while ensuring effort in one area of development adds value to other areas.



**Bluestone National Park Resort**
Bluestone National Park Resort is a luxury self-catering, eco-friendly resort where you can escape for a real break in the beautiful Pembrokeshire countryside. Offering a wide array of indoor and outdoor facilities and over 300 lodges, seamlessly blended into 500-acres of private countryside, Bluestone is one of the largest tourism operators in Wales.



**PASC**
The primary role of PASC UK (Professional Association of Self-Caterers UK) is to represent and lobby Governments on behalf of the self-catering sector. Pre Covid this included negotiating a substantial decrease in Business Rates for operators. Throughout Covid PASC UK has made its benchmark newsletter free to all, reaching up to 75,000 businesses. PASC UK worked with the Wales Tourism Alliance, The ASSC and Premier Cottages to create the National Cleaning protocols, and over 100,000 copies have been downloaded from the PASC UK Website. PASC UK secured a reversal by Insurance companies who had been deducting grants monies from pay-outs and lobbies for more support for the sector from the Welsh Government.

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**WOTGA**
We are qualified and insured tourist guides: Blue Badge designate the ability to guide anywhere in Wales and Green Badges are for regions.   You can find all of our working guides list on our website- You have a great choice from which to select the guide that suits your client group.

Some of our guides are qualified to guide in other languages such as German and French.
You can also find Driver Guides who use their own vehicles for small parties or individuals.
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**Visit Pembrokeshire**
Visit Pembrokeshire is the Destination Management Organisation for the glorious Welsh county of Pembrokeshire. Our role is to coordinate delivery of the 2020-25 Destination Management Plan ( DMP) which is a shared plan to grow tourism for the benefit of all. We are also a membership organisation representing tourism businesses across  all sectors, delivering a range of benefits which include enhanced marketing and PR, research and intelligence, business support and networking opportunities.

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**English UK Wales**
English UK Wales represents eight Welsh members offering a variety of adult and junior courses covering Cardiff and Swansea in South Wales. The group works on encouraging students, agents and partners to discover Wales. English UK Wales aims to raise the profile of educational tourism and the EFL industry.
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