**Scottish Government Consultation on Council Tax on Second and Empty Homes/ Non-domestic Rates – Scottish Tourism Alliance Submission**

**Question 1**

**Do you think the current definition of a second home should continue to apply?:**

Answer:

☒ Yes

☐ No

☐ Don't know

Please give reasons for your answer.

It is critical that there remains a separate definition of 'self-catering' to avoid the issues surrounding second and empty homes being conflated with holiday accommodation, which are primarily small businesses and have a crucial role in supporting Scotland's tourism offer.

Properties that are available as holidays lets for 140 days or more and actually let for 70 days or more in the same financial year should continue to be classified as 'self-catering accommodation' rather than 'second homes' given the significant contribution they make to the local economy and tourism at a national level.

**Question 2**

**Do you think the discount eligibility for job related dwellings and purpose built holiday accommodation is appropriate?:**

Answer:

☒ Yes

☐ No

☐ Don't know

Please give reasons for your answer.

Receiving a 50% council tax discount for eligible job-related dwellings and purpose-built holiday accommodation plays an important role in helping support the local visitor economy, especially given the seasonal nature of Scotland's tourism and hospitality sector.

The ability to build purpose-built holiday accommodation is crucial in helping to meet growing visitor demand and in supporting the ambitions of our national tourism strategy, Scotland Outlook 2030.

**Question 3**

**Do you think councils should be able to charge a council tax premium on top of regular council tax rates for second homes?**

Answer:

☒ Yes

☐ No

☐ Don't know

Please give reasons for your answer.

In principle, The Scottish Tourism Alliance (STA) is in favour of councils being able to charge a council tax premium on top of regular council tax rates for second homes if the additional net revenue raised is used to support the creation of more affordable accommodation to rent and buy. It should be noted that second home buyers already face an additional dwelling supplement payable on buying a second property.

Anyone who chooses to then make their property available for rent to key and seasonal workers should not have to face this premium, as this would support the private rental market.

We would further stress that the introduction of a council tax premium should avoid any unintended consequences for tourism and hospitality businesses that provide accommodation for their workers (e.g. hotels, restaurants, cafes). Given the ongoing issues the sector faces in retaining/recruiting staff and accessing affordable housing options, the Scottish Government should consider how it can support these businesses that are providing vital accommodation for their workforce.

It should also be noted that some second homeowners and their family and friends who use these properties still make a contribution to the local economy when in residence. However, this is limited compared to those that are rented out as holiday accommodation, and more likely to occur periodically.

One option could be that the additional revenue raised from charging a council tax premium on second homes is put towards a local fund to buy community-owned homes or to support businesses to subsidise rental costs for key workers and seasonal workers so there is a clear benefit to addressing the affordable housing issue in local communities. Engaging with local communities collaboratively in decision-making about creating affordable housing options will be key in achieving the right solutions for local areas.

An equal or greater council tax premium would need to be applied to empty properties to avoid existing second homes ending up as unused properties.

**Question 5**

**What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for second homes?**

Please list the factors and provide reasons for your answer:

The STA agrees with the comprehensive list provided by the Scottish Government in the consultation.

One of the main factors that must be considered by local authorities – and the Scottish Government as part of this consultation process – is whether adding a council tax premium will actually free up affordable accommodation, with wealthier second homeowners willing to pay the premium or these properties being sold to other people looking to buy an additional home.

An assessment is also urgently needed about the property value of these second homes and whether they would even be affordable to most people.

There could be a small knock-on impact on the local visitor economy and tourism industry, as some second homeowners and their families and friends do contribute to the local economy when in residence and employ ongoing maintenance, cleaning services, grounds maintenance, etc that are provided locally.

**Question 7**

**Do you think councils should be able to charge a higher premium than the current 100% (double the full rate) of council tax on homes empty for longer than 12 months?**

Answer:

☒ Yes

☐ No

☐ Don't know

Please give reasons for your answer.

The ability for councils to charge a higher premium on homes empty for longer than 12 months is an opportunity to use the taxation system to encourage owners of empty homes to rent out their properties to be exempt from being charged this proposed premium. It is important that councils apply this additional discretionary charge.

This could include empty homes being rented out as holiday homes, providing more accommodation options for visitors and in turn contributing to the local visitor economy and the creation of new businesses and job opportunities to meet visitor demand, or that these empty properties are rented out exclusively as affordable accommodation for key and seasonal workers.

Empty homes are currently providing no economic or social benefit to local communities, instead often falling into a poor state of disrepair, and becoming an eyesore. They are reducing the availability of housing stock in local communities, leaving properties vacant that could be used by individuals and families desperately in need of housing and negatively impacting on tourism and hospitality businesses looking to recruit and retain workers.

As set out in our answer to Question 3, additional revenue raised from charging a council tax premium on empty homes could be put towards a local fund to buy community-owned homes, or for local businesses to subsidise rental costs for key and seasonal workers.

The Partial Business Regulatory Impact Assessment (BRIA) highlights that the most common reasons for properties being left empty are difficulty engaging with or locating the owner, the owner being unsure of their next steps, and repair work being in progress.

There is also the option to create a loan scheme to support homeowners to renovate and repurpose empty homes in a bad condition, or a community fund for the repair and renovation of these properties to bring them back into use and then used to meet local housing needs, with all work undertaken supported by local trades. There is the potential for local authorities, communities, and housing developers to work in partnership to ensure these empty properties can be restored to use as affordable housing or community spaces.

Community engagement on planning and renovation of these empty properties is key to ensure that they are not acquired by property developers looking to redevelop them into high-end accommodation that continues to be unaffordable for those on lower incomes that live and work in local communities.

**Question 10**

**Are there any exceptions that are not already taken into account, that should be, when charging a premium of council tax on homes empty for longer than 12 months? Please tell us about exemptions that you feel should apply and give reasons for your answer. Do not include exemptions that are already provided for.**

The consultation sets out a very comprehensive list of exemptions and we have no others to add.

**Question 11**

**What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for homes empty for longer than 12 months? Please list factors and give reasons for your answer.**

Factors should include the contribution that having the property occupied will make to the local economy, either in providing much needed housing for people working in the community or in transforming it into visitor accommodation. It is important that these homes do not end up being bought up as second homes or property developers looking to create high-end accommodation, exacerbating the current issue facing many local communities.

**Question 13**

**Do you think that the letting thresholds for self-catering accommodation for non-domestic rates should be changed?**

☐ Yes

☒ No

☐ Don't know

Please give reasons for your answer.

It is crucial that the issues surrounding second homes and empty properties are not unfairly grouped together with self-catering businesses, which are an integral part of the country's tourism ecosystem and make an important contribution to both the local and national economy.

The STA is concerned that raising the threshold for self-catering properties to be eligible for non-domestic rates risks having a greater negative impact on Scottish tourism rather than a positive impact on affordable housing availability.

We would stress that these are predominantly small businesses that rent out self-catering properties as their livelihood, rather than supplementing their income or avoiding paying council tax on their second homes.

The current approach set out in the consultation fails to recognise the value of tourist accommodation to the Scottish economy and local communities and how these businesses enhance the country's visitor accommodation offering.

Research commissioned by The Association of Scotland's Self-Caterers (ASSC) in 2021 reported that there are 17,794 self-catering units on Non-Domestic Rates, which generate 4 million visitor nights per year; £867.1 million total visitor spend; and support 23,979 FTE jobs (https://assc.mysites.io/wp-content/uploads/2021/08/Economic-Impact-Study-–Scotland-Report.pdf).

Changing the threshold would be another major blow to Scotland's self-catering sector, when it has already been targeted by the Short-Terms Lets (STLs) Licensing Scheme and planning policy as a way of freeing up more housing, and these small businesses are now facing the additional burden of collecting visitor levies on behalf of local authorities under the Visitor Levy (Scotland) Bill. These measures effectively risk putting self-caterers out of business without addressing the availability of affordable housing issue.

We would strongly recommend that self-catering be definitively removed from these taxation proposals.

The thresholds which currently apply to self-catering accommodation for non-domestic rates have only been in effect since 1 April 2022 and were introduced following a recommendation by the 2017 independent Barclay Review of non-domestic rates. We do not believe that there has been new evidence since then to make further changes to the current rates threshold for self-catering.

Scotland's self-catering sector is already under huge amounts of pressure because of the challenges presented by the STLs Licensing Scheme and planning control areas, with our membership sharing that many of these businesses are considering closing altogether because of this strain. Among those that have made the decision to close, some have reported that they have been unable to sell the properties they have placed on the market.

There is a real risk that imposing further changes on the self-catering sector will have significant unintended consequences for Scotland's tourism industry, risking shrinking the country's visitor accommodation offering and having a negative knock-on impact on local visitor economies, particularly in rural and island areas.

The tourism industry in Scotland remains fragile and in recovery following the COVID-19 pandemic and the ongoing financial crisis, with our recent industry survey (May-June 2023) highlighting that over half of tourism and hospitality businesses that responded are still in 'survival mode' or 'consolidation'. Over half of responses to the survey were traditional self-catering businesses (https://scottishtourismalliance.co.uk/wp-content/uploads/2023/06/STA-Industry-Survey-Key-Findings-May-June-2023.pdf).

The survey further found that 41% of respondents reported that they currently have fewer bookings for June to September compared to the same period last year. 39% of businesses responded that current domestic bookings for the same period are lower compared than in 2022, with the cost-of-living crisis cited as having the biggest negative impact on summer bookings.

Our survey findings demonstrate that a significant number of self-catering businesses would struggle to meet a higher threshold set for the number of days actually let, including taking into account the impacts of more UK residents booking holidays abroad and ongoing ferry disruption and rail strikes.

**Question 16**

**Do you think councils should have discretion to change the self-catering accommodation 'days actually let' threshold, for their local area?**

☐ Yes

☒ No

☐ Don't know

Please give reasons for your answer.

The STA strongly believes that councils should not be given the discretion to change maximum self-catering 'days actually let' thresholds for their local area and that this should be set on a national basis due to the risk of unintended consequences for the sector.

It is critical that a nationally agreed approach is taken to setting the maximum threshold rather than this being decided at a local level, as there is a risk of a postcode lottery in how these thresholds are set by local authorities and the likelihood of multiple closures of self-catering businesses in some areas that are unable to meet a higher threshold set. Multiple and complex factors need to be taken into consideration when considering a higher threshold level that should be taken at a national level.

However, there is the potential to give councils flexibility to reduce the threshold, including for temporary reasons such as ongoing ferry disruption or cancellation of events that leads to significant accommodation cancellations in the local authority area.

**Question 18**

**Do you have any other comments on the non-domestic rates system in respect of self-catering accommodation?**

There are already signs that increasing thresholds for self-catering accommodation in Wales from 1 April 2023 is having a negative impact on these businesses, with a significant number of businesses expected to struggle to meet the new levels set to qualify for non-domestic rates.

In Wales, the threshold that self-catering properties must be made available to let has drastically risen from 140 to 252 days (an 80% increase), while the threshold they must actually be let has increased by 152% from 72 days to 182 days to qualify for non-domestic rates.

The Professional Association of Self-Caterers (PASC) has warned that meeting this target is "almost impossible", leaving self-catering business owners at risk of increased council tax premiums of 300%. PASC UK Wales Survey found that only 31% of the 600 survey respondents anticipate meeting 182 days this year, and 38% are selling or considering selling their property. https://www.surveymonkey.com/results/SM-YcKtT5_2F_2FUKpr_2FXzlT6xurw_3D_3D/

They have warned that the target will be particularly hard to meet in inland areas, especially in rural locations. Some self-catering business owners in Wales have said that they will need to sell their properties, reduce their prices at a time they can't afford to do so, and even potentially have to offer breaks for free to meet the new threshold.

Similar to concerns raised in STA's latest industry survey, self-catering businesses in Wales are also reporting that they currently have fewer bookings this summer, with reasons being given including more people in the UK taking breaks abroad and people not booking holidays due to the ongoing cost-of-living crisis.

The Scottish Government's Partial BRIA highlights Wales as a rationale for Government intervention, but we would strongly argue that it would be a serious mistake to adopt the same approach. Our devolved neighbour is in the early stages of making this change to the threshold and there are already concerns raised for the ongoing viability of its tourism sector, resulting in the potential closure of many small businesses and the resultant job losses and other economic knock-on effects.

In addition, it is not appropriate to compare Scotland to Wales demographically or geographically, each having their own distinct visitor markets.

**Question 21**

**Please tell us how you think changes to council tax and/or non-domestic rates thresholds for self-catering accommodation might affect businesses in your area.**

If non-domestic rates thresholds were to be increased for self-catering properties then this would likely lead to the closure of many of these small businesses across Scotland, impacting on local communities and the national economy.

It could quickly result in a cumulative negative effect on other parts of the local visitor economy, including retailers, cafes, restaurants, bars and pubs, and visitor activities and attractions, alongside local businesses and jobs that provide maintenance and repairs, trades, and cleaning services.

If self-catering businesses decide to close, this is unlikely to create more affordable accommodation and instead owners may be more likely to sell their property to someone who can afford to buy a second home, or leave it vacant if they are unable to sell.

**Question 22**

**Please tell us how you think changes to the maximum council tax rate for second and/or empty homes and non-domestic rates thresholds might affect your local area or Scotland as a whole (social, economic, environment, community, cultural, enterprise).**

Raising the non-domestic thresholds for self-catering properties would have a damaging impact on the entire tourism sector, not only depleting visitor accommodation available to tourists, but also causing harm to the local visitor economy and the local businesses and services used by these accommodation providers (e.g. maintenance, cleaning, laundry, etc). In many cases, these properties are an integral part of the local community and in supporting the local visitor economy.

In some areas, particularly rural and island communities, closure of self-catering businesses will mean there is not enough accommodation to meet demand for hosting cultural events and festivals which are major annual sources of income for entire communities.

Reduced availability of self-catering providers will also reduce competition in many areas, leading to an increase in prices charged by remaining accommodation providers.

Self-catering businesses are often entrepreneurial and provide a multiple offer to visitors, such as farm shops, camping and glamping, food and drink products, event and wedding venues, outdoor activities, etc. which would also be negatively impacted.

There is also a risk that self-catering businesses may close, with owners instead leaving the property empty if they cannot sell, continuing to exacerbate the current housing issue.

As mentioned under Question 3, we would again stress that tourism and hospitality businesses that provide staff accommodation should not face any extra council tax charges, and instead financial support should be identified to help businesses that are helping to address the lack of affordable accommodation for their workforce.

Out of the consultation proposals, raising the council tax premium for empty properties will deliver the most positive impact for communities in hopefully bringing these homes back into use, supporting more people to move to areas that will contribute to the local economy, take up unfilled job vacancies or start new businesses, and provide a valuable social impact of being part of the local community. In rural and island communities that have fewer people of working age and a declining population overall, this is of particular importance.

**Question 23**

**Please tell us how you think the changes identified might affect island communities.**

Potentially imposing changes to letting thresholds and rate changes will lead to more self-catering accommodation providers leaving the holiday let market, which risks a situation where in many rural and island locations in Scotland there may be little or no visitor accommodation options, negatively impacting on the local economy and the wider tourism sector.

It's also important to keep in mind that in many rural and island communities, where residents are reliant on multiple income streams, being able to let properties as holiday homes in the summer will help to subsidise their winter costs.

**Question 24**

Do you think there are any equality, human rights, or wellbeing impacts in relation to the changes set out in the consultation?

Answer:

☒ Yes

☐ No

☐ Don't know

Please give reasons for your answer.

This is potentially another serious blow to the self-catering sector, with the uncertainty and problems caused by the STLs Licensing Scheme, planning control areas and ongoing financial crisis taking a serious toll on the mental and physical wellbeing of these business owners.

An urgent solution is needed to support tourism and hospitality businesses in finding suitable accommodation for workers, as we are also hearing that they are under great mental and physical strain due to challenges in retaining and recruiting staff.

**Question 25**

**Is there anything else you would like to tell us in relation to this consultation?**

The STA believes a multi-faceted approach is needed to properly address the affordable housing shortage facing Scotland.

It's important that any additional revenue potentially raised from introducing a council tax premium on second homes and empty properties is directly reinvested in increasing the availability of more affordable and rentable homes.

This is crucial, as there is no robust data evidencing that the consultation proposals being considered will actually free up the availability of affordable accommodation, remaining unaffordable for those who need housing the most.

There is an urgent need to build more affordable housing stock to ensure that there is greater access to accommodation across all parts of Scotland, particularly in rural and island communities where many tourism and hospitality businesses are struggling to find accommodation for their current and prospective workforce to live.

The ability to "attract, develop and retain a skilled, committed, diverse and valued workforce" is one of the key priorities in our national tourism strategy, Scotland Outlook 2030. However, affordable housing remains a key component of the jigsaw in delivering on this priority and more effective and immediate action is needed than what is being set out in this consultation.

At the moment, house building is not happening at a rate that can meet demand. Alongside being a long-term investment, building more homes will provide employment and apprenticeship job opportunities.

There is also the potential to consider adopting a housing licensing model, such as that in Guernsey where properties are primarily split into two 'Housing Markets' – the 'Local Market' and the 'Open Market'. The Local Market is open to local residents and employment permit holders, who are filling essential job posts, while the Open Market is available to anyone who holds a British or Irish passport or who has the right to live in the UK. As a result, Open Market properties make up around 7% of all housing stock on the island and are generally higher in property price.

In delivering more affordable accommodation, this must be balanced with the needs of the local visitor economy and the ambitions of Scotland's national tourism strategy to be "the world leader in 21st century tourism."

Self-catering businesses provide social and economic benefits for communities and local economies – attracting visitors from across the UK and internationally, and generating important visitor spend in local shops, food and drink venues, and tourist attractions.

Second homes, on the other hand, provide much less benefit locally, while empty properties provide absolutely none at all.

After the blow of COVID-19, the cost-of-living crisis, rising mortgage prices and the STLs Licensing Scheme, it is our concern that if further financial changes and burden were to be placed on these businesses, then many more will leave the holiday let market and some destinations will be left with little or no visitor accommodation available. This would be hugely detrimental to tourism in Scotland and to meeting growing visitor demand, particularly for longer overnight stays for international visitors that generate more money.

We repeat our call that self-catering properties must be removed from these proposals to avoid further risking the viability of Scotland's tourism sector and the livelihoods in many rural and island communities. The important positive contributions made by these small businesses should not be equated with the issues caused by second and empty homes.

**About you**

The Scottish Tourism Alliance (STA) is the overarching trade body for the tourism and hospitality industry in Scotland. It comprises of over 250 trade associations, businesses, destination groups and other organisations with an interest in tourism. Its membership is spread across all regions and destinations in Scotland.

The organisation is governed by a Board with wide-ranging representation from Scotland's tourism industry and supply sectors, who together with STA's Council and Destination Forum shape the organisation's policy agenda for the Scottish Government, UK Government and other key stakeholders.

The STA led and co-ordinated the development and launch of Scotland's national tourism strategy, Scotland Outlook 2030, in collaboration with the Scottish Government and its agencies. The trade body remains driven by this strategy, growing the value and positively enhancing the benefits of tourism in Scotland by delivering the very best for visitors, businesses, people, communities and environment.

The STA's Chief Executive, Marc Crothall MBE, co-chairs the Tourism and Hospitality Industry Leadership Group, alongside the Minister for Small Business, Trade and Innovation, Richard Lochhead. The group's core purpose is to provide the recommended strategic direction that will help to drive recovery and sustainable growth across both tourism and hospitality in the long term. It builds on the partnership approach of the Scottish Tourism

Emergency Response Group (STERG), which led the industry's response to the COVID-19 pandemic in partnership with the Scottish Government.

Please tick whichever council areas apply to you (or select all of Scotland)?:

- Aberdeen City
- Aberdeenshire Council
- All of Scotland **X**
- Angus Council
- Argyll and Bute Council
- City of Edinburgh Council
- Clackmannanshire Council
- Dumfries and Galloway
- Dundee City Council
- East Ayrshire Council
- East Dunbartonshire Council
- East Lothian Council
- East Renfrewshire Council
- Falkirk Council
- Fife Council
- Glasgow City Council
- Highland Council
- Inverclyde Council
- Midlothian Council
- Moray Council
- Na h-Eileanan Siar Council
- North Ayrshire Council
- North Lanarkshire Council
- Orkney Council
- Perth and Kinross Council
- Renfrewshire Council
- Scottish Borders Council
- Shetland Council
- South Ayrshire Council
- South Lanarkshire Council
- Stirling Council
- West Dunbartonshire Council
- West Lothian Council