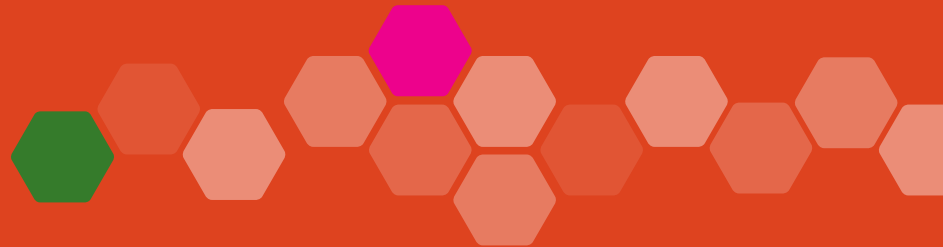


# Council tax for second and empty homes, and thresholds for non-domestic rates: Consultation analysis



**PEOPLE, COMMUNITIES AND PLACES**

# Consultation on council tax for second and empty homes, and thresholds for non-domestic rates

## Analysis of responses to the consultation exercise

October 2023

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# Executive Summary

This summary sets out key themes from the analysis of responses to a public consultation on potential changes to Council Tax for second and empty homes, and thresholds for non-domestic rates for self-catering accommodation.

The consultation ran from 17 April to 11 July 2023. In total 981 responses were received, 73 from groups or organisations and 908 from individual members of the public.

## Allowing councils discretion to charge a Council Tax premium for second homes

For Council Tax purposes, the definition of a second home is, 'a dwelling which is no one's sole or main residence and that is lived in for at least 25 days during the 12-month period of the Council Tax charge'.

A small majority (55% of those answering the question), thought that councils should be able to charge a Council Tax premium on top of regular Council Tax rates for these second homes. Support for this position rose to 89% among organisations answering the question.

The most frequently given reason for supporting councils being allowed such discretion was the impact of second homes on local housing supply. Associated points included that second homes can be a significant driver of higher prices in some areas, including under circumstances when many people find renting or purchasing a permanent home unaffordable.

There was also reference to the impact on the wider local economy and on the sustainability of local services, such as schools. Many of those commenting saw it as reasonable to expect second home owners to make an additional financial contribution that can be used to support services and local economies or to help address housing shortages.

Respondents who did not support councils having the discretion to charge a premium often pointed to unfairness, including that it would not be reasonable to penalise people who bought a second home at a point when no premium was payable. There was also a concern that a premium would make second home ownership the preserve of the rich.

Many of those who did not support a premium being payable also saw it as unreasonable to expect second homeowners to subsidise the finances of local authorities. This was sometimes connected to second home owners using fewer of the services that Council Tax helps pay for, such as schools.

## **Allowing councils discretion to charge more than a 100% premium on council tax for long-term empty homes**

The majority of respondents (60% of those answering) thought that councils should be able to charge more than the current maximum Council Tax premium of 100% for homes that have been empty for longer than 12 months.

Respondents referred to the potential for empty homes to have a significant negative impact on local communities, neighbourhoods and adjoining properties. It was suggested that tackling empty homes should be a national priority, and that Council Tax premiums could have a role to play. There was also a view that higher maximum premiums would provide greater scope for councils to respond to the local context and to owners' individual circumstances.

Opposition to higher premiums was most commonly linked to the varying reasons for a property remaining empty, and an argument that higher premiums may not be effective in incentivising more owners to bring empty properties back into use. It was suggested that the current 100% premium strikes the right balance between incentivising owners and ensuring that they are not financially constrained by additional premiums, but that any further increase in premiums for empty homes would be excessive and unfair.

## **Premium levels for second and empty homes**

In terms of the possible level of any premium, it was suggested that this should be the same for long term empty properties and second homes, including to remove any financial incentive to switch between uses.

When asked what the maximum Council Tax premium should be, the most frequently chosen option for both second and long term empty homes was 300%. In relation to second homes, it was thought that this rate of premium could discourage people from buying properties which are only going to be used occasionally.

Some respondents went further and suggested that councils should be given the discretion to charge a premium of greater than 300%, or that premiums should be unlimited.

It was also suggested that councils would be best placed to take account of their local context and set an appropriate level of premium for their area. In terms of the factors that should be taken into account when setting any premium, respondents were particularly likely to refer to patterns of supply and demand of affordable homes, the potential impact of second homes on local public services and communities, and the distribution and concentration of second homes in the local area.

## **Possible exemptions from premiums being payable**

It was acknowledged that there are many diverse reasons for owning second and empty homes, and that there may be circumstances when it may not be reasonable

for a premium to be payable. The need for exemptions or exceptions was raised both by those supporting and not supporting a premium being chargeable.

Respondents were most likely to refer to compassionate grounds, for example for a period after a property is inherited due to a bereavement, or if a property undergoing major repair or restoration work.

Views were mixed on whether financial hardship provides reasonable grounds for an exemption. One perspective was that, if you can afford to have a second home, any challenges associated with paying a premium would be minor by most people's standards. An alternative perspective was that an exemption might be reasonable if personal circumstances and/or escalating costs mean that a property cannot be made habitable or saleable.

## **Letting thresholds for non-domestic rates**

A small majority of respondents (53% of those who answered the question) supported a change in letting thresholds for self-catering accommodation to qualify for non-domestic rates.

Most of those calling for change wished to see an increase in existing thresholds, a view primarily linked to concerns that self-catering accommodation can exacerbate housing shortages and negatively impact local communities and economies.

Those who did not support a change in letting thresholds often saw current thresholds as reasonable, particularly in the context of additional regulatory requirements placed on accommodation owners in recent years (including a recent change to non-domestic rates thresholds). It was also argued that the existing threshold of 70 days actually let can be very difficult to achieve in parts of Scotland.

From the thresholds suggested in the consultation paper, those who supported higher thresholds were most likely to recommend thresholds of 180 days actually let and 250 days available for let. However, both in relation to days actually let and days available for let, many respondents suggested other thresholds that were higher than any of the options set out in the consultation paper. These were typically linked to a view that thresholds should be set to ensure that a greater proportion of self-catering properties pay Council Tax. However, it was also argued that more modest levels would be reasonable in view of a range of limiting factors, including Scotland's relatively short tourist season.

A majority of respondents (57% of those who answered the question) thought that councils should have discretion to change the non-domestic rates 'days actually let' threshold for their local area. It was argued that councils require such discretion to address local housing issues and to respond to other local circumstances. An alternative perspective was that consistent, national standards provide certainty and that there should be a single, nationally set threshold.

# 1: Introduction

## Background

This report presents analysis of responses to a public consultation on Council Tax for second and empty homes, and thresholds for non-domestic rates.

The consultation sought views on potential changes to the Council Tax system and non-domestic rates thresholds for self-catering accommodation in order to take forward Scottish Government commitments to a fairer housing and taxation system.

## The consultation

The consultation, which opened on 17 April 2023 and closed on 11 July 2023, asked 25 questions. The consultation paper is available [here](#) on the Scottish Government's website.

## Profile of responses

In total 981 responses were received, of which 73 were from groups or organisations and 908 from individual members of the public.

Respondents were asked to identify whether they were responding as an individual or on behalf of a group or organisation.

A breakdown of the number of responses received by respondent type is set out in Table 1 below, and a full list of group respondents appended to this report at Annex 1, Table A.

**Table 1 – Respondents by type**

	Number
Organisations:	
Campaign group or union	5
Community or Development Trust	6
Housing	4
Local authority	28
Public body or agency	7
Representative or professional body	10
Tourism, including accommodation provider	12
Other	1
Organisations	73
Individuals	908
All respondents	981

Local authorities were the largest group of organisational respondents, followed by Tourism organisations and Representative or professional bodies.

The individual respondent group includes around 90 respondents who drew on information put together by Living Rent.

Respondents were also asked if they owned a second home, a long-term empty home or if they operate a short-term let /self-catering accommodation<sup>1</sup>, and frequency information is set out in Table 2 and below.<sup>2</sup>

**Table 2: Ownership of second homes, long-term empty homes or short-term let/self-catering accommodation**

	n
Owner of a second home	283
Short-term let/self-catering accommodation operator	96
Owner of a long-term empty home	8

Of the 283 respondents who reported that they own a second home, only 28 second home owners indicated that they also operate a short-term let/self-catering accommodation (27 who own a second home and operate self-catering accommodation and one additional respondent who owns a second home, an empty home and operates self-catering accommodation). However, their further comments suggest that some of the remaining 253 second home owners may sometimes rent their second home out.

Of the 96 respondents who reported that they operate a short-term let/self-catering accommodation, 68 respondents did not select any other options, and 27 indicated that they own a second home.

Respondents were also asked about the part or parts of Scotland to which they were connected.<sup>3</sup> Respondents were able to select more than one area. The most-frequently selected areas are set out in Table 3 below, and a full list is provided at Annex 1, Table C.

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<sup>1</sup> Please note that only 43% of individual respondents answered the relevant questions, hence the number of second or empty home owners, and/or short-term let/self-catering accommodation operators may be undercounted.

<sup>2</sup> Frequencies for all the information provided (including multiple ownership) is set out at Annex 1, Table B.

<sup>3</sup> However, they were not asked about the nature of that connection, for example whether they live in the area, own a second home in the area etc.



**Table 3: Council areas to which respondents were connected**

	<b>n</b>
City of Edinburgh Council	182
Glasgow City	140
Highland Council	135
Argyll and Bute Council	107
Fife Council	85
All of Scotland	66

Around 180 respondents noted a connection to more than one area, and many of these respondents also reported that they were the owner of a second home.

## **Analysis and reporting**

The report presents a question-by-question analysis of answers to the closed questions and further comments at open questions. A comment rate, rounded to the nearest five comments, is given at each question.

The analysis of further comments is qualitative but may give an indication of the most frequently made points or indicate when most (half or more) or many (more than a quarter but less than half) of those commenting made a point.

As with any public consultation exercise, it should be noted that those responding generally have a particular interest in the subject area. Therefore, the views they express cannot necessarily be seen as representative of wider public opinion.

A glossary of terms and a list of acronyms used is provided at Annex 2.

## 2: Second homes

The consultation paper reports that, in September 2022, around 1% of all residential accommodation in Scotland (over 24,000 homes) was classified as a second home for Council Tax purposes. In October 2022 there were 18,290 self-catering accommodation units on the valuation roll for non-domestic rates across Scotland: these may be second homes used as businesses and, as they are taxed differently, are additional to the 24,000+ homes on the Council Tax Register. The number of second homes varies considerably between, and within, individual councils, with the peak numbers found mainly in tourist hotspots, rural and island areas.

### Definitions

For Council Tax purposes, the current definition of a second home is, 'a dwelling which is no one's sole or main residence and that is lived in for at least 25 days during the 12 month period of the Council Tax charge'.

### Question 1 – Do you think the current definition of a second home should continue to apply?

Responses to Question 1 by respondent type are set out in Table 4 below.

**Table 4: Responses to Question 1 by respondent type**

	Yes	No	Don't know	Total
<b>Organisations:</b>				
Campaign group or union	2	2	-	4
Community or Development Trust	5	1	-	6
Housing	2	-	-	2
Local authority	18	10	-	28
Public body or agency	2	1	1	4
Representative or professional body	5	2	1	8
Tourism, including accommodation provider	6	-	4	10
Other	1	-	-	1
<b>Total organisations</b>	<b>41</b>	<b>16</b>	<b>6</b>	<b>63</b>
<b>% of organisations</b>	<b>65%</b>	<b>25%</b>	<b>10%</b>	
<b>Individuals</b>				
Individuals	356	450	69	875
<b>% of individuals</b>	<b>41%</b>	<b>51%</b>	<b>8%</b>	
<b>All respondents</b>	<b>397</b>	<b>466</b>	<b>75</b>	<b>938</b>
<b>% of all respondents</b>	<b>42%</b>	<b>50%</b>	<b>8%</b>	

Half of respondents – 50% of those answering the question – did not think the current definition of a second home should continue to apply. Of the remaining respondents, 42% thought it should and 8% did not know.

The proportion of organisations that thought the current definition should continue to apply rose to 65% and included a majority in all but the Campaign group or union category.

## **Please give reasons for your answer**

Around 635 respondents provided a comment at Question 1.

### **Reasons for thinking the current definition should be changed**

Many of those commenting referred to pressure on the housing stock in some areas and to high rental costs; this was often linked to the number of second homes contributing to the lack of ordinary residential supply in some areas.

The most frequently made point, also raised by many of those who did not think the current definition should continue to apply, was that the threshold of being lived in for at least 25 days is not high enough.<sup>4</sup> Many of those commenting went on to suggest that:

“We need a definition with more days, so that houses are considered empty...and their owners have an incentive to put them back on the market/rent them out.”

Individuals

A number of alternative thresholds were suggested; these ranged from 40 days to around 180 days.

In addition to comments about where any threshold should be set, many of those commenting questioned whether it is right to have a specific classification/definition for second homes at all.

In relation to the current definition, issues raised included that it can be open to interpretation and is difficult to prove or disprove. There were calls for any definition to be clearer, with specific suggestions including that the Scottish Government should define what is a long-term empty property. In terms of the definition of a second home, it was suggested that it should:

- specify that a second home should be furnished and in liveable condition
- specify by whom the property can be occupied, in terms of the owner or the relationship to the owner
- allow for exceptions and/or should recognise particular circumstances, such as the need for refurbishment work

Although most of those who disagreed with the current definition and commented were looking for it be made more stringent and/or have the 25-day threshold raised,

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<sup>4</sup> Second homes are currently defined in the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 as a dwelling which is no one's sole or main residence but which is furnished and lived in for at least 25 days during the chargeable 12 month period.

there was also a view that it is already unfair targeting second home owners unfairly. The issues raised by those taking this view were generally similar to those highlighted by respondents concerned about an additional Council Tax premium being payable (as Question 3).

## **Reasons for thinking the current definition should continue to apply**

In addition to general comments in support, and references to the current definition being appropriate or reasonable, it was suggested that for Council Tax purposes it is:

“...well-established and therefore fully tested, understood by those required to pay, and can be evidenced by Council Tax payers without incurring additional expense.”

Local authority

Also from a local authority perspective, it was reported that collection rates for second homes are high, and that evidence can be verified and the administration is not overly burdensome. A Local authority respondent noted that any changes would require local authorities to review a large number of second homes to see if they would fit an altered definition.

In terms of the 25-day threshold specifically, it was described as fair and there was an associated concern that a higher threshold could result in properties being transferred to the Valuation Roll and removed from the Council Tax list.

A small number of possible improvements or changes were suggested, including that it would be helpful to have statutory guidance on what constitutes someone's main residence.

The importance of retaining a separate definition of 'self-catering', including to avoid the issues surrounding second and empty homes being conflated with holiday accommodation, was also highlighted.

## **Council tax discounts**

The consultation paper notes that eligible job-related dwellings and purpose-built holiday accommodation are entitled to a Council Tax discount of 50%. Purpose-built holiday accommodation is defined as a dwelling that is used for holiday purposes and has a licence or planning permission limiting its use for human habitation throughout the whole year. Job-related dwellings are defined as homes owned by someone who has to live elsewhere for most or all of the time as part of their job, or the home the person occupies to undertake their job if the person has another home that is their main residence.

## Question 2 – Do you think the discount eligibility for job-related dwellings and purpose-built holiday accommodation is appropriate?

Responses to Question 2 by respondent type are set out in Table 5 below.

**Table 5: Responses to Question 2 by respondent type**

	Yes	No	Don't know	Total
<b>Organisations:</b>				
Campaign group or union	1	3	-	4
Community or Development Trust	1	3	2	6
Housing	1	1	-	2
Local authority	16	9	3	28
Public body or agency	1	2	1	4
Representative or professional body	4	1	1	6
Tourism, including accommodation provider	9	-	1	10
Other	1	-	-	1
<b>Total organisations</b>	<b>34</b>	<b>19</b>	<b>8</b>	<b>61</b>
<b>% of organisations</b>	<b>56%</b>	<b>31%</b>	<b>13%</b>	
<b>Individuals</b>				
Individuals	330	430	117	877
<b>% of individuals</b>	<b>38%</b>	<b>49%</b>	<b>13%</b>	
<b>All respondents</b>				
All respondents	364	449	125	938
<b>% of all respondents</b>	<b>39%</b>	<b>48%</b>	<b>13%</b>	

Respondents were most likely to think that the discount eligibility for job-related dwellings and purpose-built holiday accommodation is not appropriate, with 48% of those answering the question of this view. Of the remaining respondents to the question, 39% did think it is appropriate and 13% did not know.

The balance of opinion was different amongst organisations, with a small majority – 56% of those answering the question – thinking the discount eligibility is appropriate.

### Please give reasons for your answer

Around 615 respondents provided a comment at Question 2.

### Reasons for thinking the current discount eligibility is not appropriate

The most frequently made comment, raised by many respondents, was that there is no reason why businesses should receive beneficial treatment.

“If the dwellings are purpose-built holiday accommodation, that would suggest they are part of a business and earn money for the owner. If the

dwelling are job-related, these are also a business asset. Both should be charged at a non-domestic rate.”

Individual

It was also suggested that creating exceptions increases the risk of people trying to fit under the discount eligibility criteria to avoid paying taxes.

However, many of those commenting also distinguished between job-related dwellings and purpose-built accommodation; they tended to the view that there should be clear discounts for specific job-related accommodation but not for purpose-built holiday accommodation that is used commercially.

### **Purpose-built holiday accommodation**

Although the need for holiday accommodation was noted, it was also suggested that it needs to make an economic contribution to local communities in order to sustain local public services. However, there were occasional references to it being appropriate for purpose-built holiday accommodation which is only suitable for habitation during the warmer months to be eligible for a discount.

### **Job-related dwellings**

Many of those who disagreed overall and commented, did think there should be discounts for specific, job-related accommodation. Reasons given for supporting a discount included the Council Tax payer’s terms of employment and recognition that they may have a liability at another home. However, there was an alternative view that the discount should be removed including because it is a personal choice if an individual takes up an employment position that requires them to ‘live-in’ or near to that employment.

### **Options going forward**

If there are to be discounts, there were calls for any approach to be closely controlled to prevent loopholes. It was also suggested that:

- there may be advantages in having a more flexible approach to key worker accommodation given the recruitment and retention challenges faced, particularly by the public sector, in many parts of Scotland
- other specific exceptions should apply, with travellers’ accommodation being the most-frequently referenced

### **Reasons for thinking the current discount eligibility is appropriate**

Comments in support of the current discount eligibility tended to be brief but included that the definition is appropriate or fit-for-purpose, including because both purpose-built holiday accommodation and job-related dwellings place fewer demands on the services that the Council Tax covers. Both discounts were also said to play an important role in helping support tourism:

“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.”

Tourism

### **Purpose-built holiday accommodation**

Further comments included that holiday accommodation is needed, and purpose-built accommodation is a good solution that does not take away permanent homes. As at other questions, there was reference to the use of local facilities, such as shops, and providing employment for local residents. It was also suggested that, where planning and licensing permissions place restrictions on occupancy, it is reasonable to expect a discount to be applied.

### **Job-related dwellings**

It was seen as important that rural businesses are able to attract workers to job-related dwellings in order to deliver goods and services in these settings, with the job-related discount seen as a helpful incentive, or at least not a deterrent. However, there were some concerns that the current definition of a job-related dwelling is complex.

### **Council Tax premiums**

A premium is charging more than the full normal rate of Council Tax. A 50% premium equates to a charge of one and a half times the normal rate, a 100% premium to double the normal rate, and a 200% premium to three times the normal rate. The consultation paper notes that potential factors that could be considered by councils when deciding whether to introduce a premium on Council Tax for second homes include:

- the numbers and percentages of second homes in the local area
- distribution of second homes and other housing throughout the area and an assessment of their impact on residential accommodation values in particular areas
- potential impact on local economies and the tourism industry; patterns of demand for, and availability of, affordable homes
- potential impact on local public services and the community

However, councils might decide not to use the powers or could choose to disapply a premium for a specific period of time, for example:

- where there are reasons why the home could not be lived in as a permanent residence; where there are reasons why a home could not be sold or let
- where the owner's use of their accommodation is restricted by circumstances not covered by an exception from the premium
- where charging a premium might cause hardship

### 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?

Responses to Question 3 by respondent type are set out in Table 6 below.

**Table 6: Responses to Question 3 by respondent type**

	Yes	No	Don't know	Total
<b>Organisations:</b>				
Campaign group or union	4	-	-	4
Community or Development Trust	6	-	-	6
Housing	4	-	-	4
Local authority	26	1	1	28
Public body or agency	4	-	-	4
Representative or professional body	5	2	-	7
Tourism, including accommodation provider	6	3	-	9
Other	1	-	-	1
<b>Total organisations</b>	<b>56</b>	<b>6</b>	<b>1</b>	<b>63</b>
<b>% of organisations</b>	<b>89%</b>	<b>10%</b>	<b>2%</b>	
<b>Individuals</b>				
	470	413	16	899
<b>% of individuals</b>	<b>52%</b>	<b>46%</b>	<b>2%</b>	
<b>All respondents</b>				
	526	419	17	962
<b>% of all respondents</b>	<b>55%</b>	<b>44%</b>	<b>2%</b>	

Percentages may not sum to 100% due to rounding

A small majority of respondents – 55% of those answering the question – thought councils should be able to charge a Council Tax premium on top of regular Council Tax rates for second homes. Of the remaining respondents, 44% did not think so and 2% did not know.

The balance of opinion was different amongst organisations, with 89% of those answering the question thinking councils should be able to charge a premium. There was no organisation type in which a majority of respondents did not support a premium being chargeable.

Table 7 below compares views on whether councils should be able to charge a premium rate of tax on second homes of those who reported that they owned one or more of a second home, long-term empty home or short-term let/self-catering accommodation with those who did not.



**Table 7: Views on Council Tax premiums by property type owned**

	Yes	No	Don't know	Total
Owens a second home, long-term empty home or short-term let/self-catering accommodation	43	297	11	351
<b>% of above</b>	<b>12%</b>	<b>85%</b>	<b>3%</b>	
Does not own a second home, long-term empty home or short-term let/self-catering accommodation	483	122	6	611
<b>% of above</b>	<b>79%</b>	<b>20%</b>	<b>1%</b>	
All respondents	526	419	17	962
<b>% of all respondents</b>	<b>55%</b>	<b>44%</b>	<b>2%</b>	

In contrast to 55% of all respondents, only 12% of those who own a second home, long-term empty home or short-term let/self-catering accommodation thought councils should be able to charge a Council Tax premium, while 85% thought they should not.

### **Please give reasons for your answer**

Around 805 respondents provided a comment at Question 3.

### **Why councils should be able to charge a premium**

#### **Impact of second home ownership**

The most frequently raised issue, highlighted by many of those who commented, was the impact of second homes on local housing supply. Associated points were that:

- second homes are a significant driver of higher prices in some areas, under circumstances when many people find renting or purchasing unaffordable
- if key workers cannot find somewhere to live in the local area it may not be possible to deliver essential services
- the tourism and hospitality sectors face challenges in retaining and recruiting staff and accessing affordable housing options

Whilst it was recognised that second homes which are used as holiday lets can be an essential part of the local visitor economy, there were concerns about the impact on the wider local economy, including because properties may be empty for extended periods, resulting in little or no money being spent locally. However, it was also noted that there is a large difference between a second home which is available as a dedicated short-term let all year round, and a second home which is occupied by the owners for part of the year but sitting empty at other times.

There was also reference to the impact on local services, for example with fewer permanent residents leading to lower school and nursery rolls.

Given the potential impacts on local communities, many of those commenting saw it as reasonable to expect second home owners to compensate those communities; it was suggested that if you can afford a second home, you can afford to in some way mitigate the negative impact that your second home ownership may be having.

“They are taking away from the local economy by not actually living in their 'second home' so they should contribute more than the rest of us through council tax, to in some small way make up for that...”

Individual

In terms of the positive impacts, there was reference to a premium:

- acting as an incentive to bring much-needed stock back into mainstream use, including through sale or being made available for private rent
- generating revenue that can be used by local authorities to deliver services and support local economies

### **Use of any funds raised**

Reflecting comments about the need to prioritise the provision of more affordable housing, there were suggestions that any funds raised through charging a Council Tax premium should be used to help address housing shortages in communities. A Representative or professional body respondent suggested that where a second home is not let as a private rental, there should be a requirement in legislation that any revenue generated through the premium is allocated directly towards increasing housing availability.

Other suggestions included using funds to support local services or ring-fencing funds to be used to the benefit of the community in which the second homes are located. However, there was also a view that, to support local decision-making, it is crucial that revenues generated from levying a premium are not ring-fenced thus ensuring that spending decisions can be decided by councils based on local priorities.

### **Local decision-making**

With reference to how any premium could or should be set, a small number of Local authority respondents were amongst those suggesting that local authorities should have discretion over a Council Tax premium. It was noted that the principle of subsidiarity, and the recently signed Verity House Agreement<sup>5</sup>, support an approach based on local decision making as the default approach. Allowing local authorities to match charges to the specific needs of their communities was seen as beneficial.

### **Recognising the need for exemptions**

It was also suggested that any future arrangements also need to acknowledge the many diverse reasons for owning or renting a second home, and that there may be

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<sup>5</sup> Details of the Verity House Agreement are available at <https://www.gov.scot/publications/new-deal-local-government-partnership-agreement/>

circumstances when it may not be reasonable for a premium to be payable. The need for exemptions or exceptions was raised both by those supporting and not supporting a premium being chargeable. This issue is returned to at Question 5.

In terms of how or when exemptions could be made, there was reference to discretion being applied on a case-by-case basis, or at a very localised level. However, there was also a call for clear statutory guidance on when discretionary exemptions should be awarded.

### **Wider Council Tax reforms**

Finally, it was suggested that decisions relating to second homes should not be taken in isolation, and that the cumulative impacts of all proposed changes to the Council Tax system need to be understood and fully assessed. There was reference to:

- proposals to reform the Council Tax system to introduce mandatory measures
- discretionary powers to apply annual inflationary increases to Council Tax

### **Why councils should not be able to charge a premium**

Many of those who did not think that councils should be able to charge a premium and went on to comment pointed to unfairness:

“This is an unfair tax. There is no reason to single out people who have two homes in Scotland for additional taxation. Your suggestion that people with second homes can afford this is a supposition and is incorrect as far as I am concerned. I know I will not be able to afford to pay additional council tax and it will eat up all my disposable income.”

Individual

The range of associated points included that it would be unfair to penalise people who bought a second home at a point when no premium was payable, and that they are already paying Council Tax, may have paid the additional Dwelling Supplement to Land and Buildings Transaction Tax (LBTT), and may have invested significant resources in renovations or repairs. There was also a concern that any further premium would make second home ownership the preserve of the rich. Second home owners who reported that they were not themselves wealthy, but had worked hard and made sacrifices to purchase a second home, were amongst those making this point.

Many of those commenting also saw it as unreasonable to expect second homeowners to subsidise the finances of local authorities, especially as they are not entitled to a vote at the relevant local elections. It was suggested that, in any case, Council Tax should reflect the cost of providing the services to a property, and that this will be lower for a second home.

Other comments addressed the wider impact of a second home premium being chargeable and included that:

- it may not lead to the sale of second homes or, by extension, to more homes being available for home ownership as a primary residence
- even if properties are released onto the market, they might not be of the type/size needed as permanent homes or be affordable to those wanting to buy
- the loss of many second homes could have a negative impact on the Scottish tourism and hospitality economy, including if people chose to buy property and/or holiday abroad instead

#### **Question 4 – If you have answered yes to Question 3, what do you think the maximum premium councils could charge should be?**

Responses to Question 4 by respondent type are set out in Table 8 below.<sup>6</sup>

**Table 8: Responses to Question 4 by respondent type**

	50%	100%	150%	200%	250%	300%	Other	Total
<b>Organisations:</b>								
Campaign group or union	-	-	-	-	-	3	-	3
Community or Development Trust	-	2	-	-	-	4	-	6
Housing	-	-	-	-	-	1	-	1
Local authority	-	8	-	1	-	7	2	18
Public body or agency	-	-	-	-	-	2	-	2
Representative or professional body	1	1	-	-	-	-	1	3
Tourism, including accommodation provider	-	1	-	-	-	-	-	1
Other	-	-	-	-	-	-	-	0
<b>Total organisations</b>	<b>1</b>	<b>12</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>17</b>	<b>3</b>	<b>34</b>
<b>% of organisations</b>	<b>3%</b>	<b>35%</b>	<b>0%</b>	<b>3%</b>	<b>0%</b>	<b>50%</b>	<b>9%</b>	
<b>Individuals</b>								
Individuals	37	63	17	50	8	257	0	432
<b>% of individuals</b>	<b>9%</b>	<b>15%</b>	<b>4%</b>	<b>12%</b>	<b>2%</b>	<b>59%</b>	<b>0%</b>	
<b>All respondents</b>	<b>38</b>	<b>75</b>	<b>17</b>	<b>51</b>	<b>8</b>	<b>274</b>	<b>3</b>	<b>466</b>
<b>% of all respondents</b>	<b>8%</b>	<b>16%</b>	<b>4%</b>	<b>11%</b>	<b>2%</b>	<b>59%</b>	<b>1%</b>	

Percentages may not sum to 100% due to rounding

A small majority of respondents – 59% of those answering the question – thought the maximum premium councils could charge should be 300%. Of the remaining respondents, 16% favoured a 100% maximum premium and 11% favoured 200%.

<sup>6</sup> This included around 30 respondents who had not answered 'Yes' at Question 3. These respondents tended to select the 50% or 100% options. Equally, around 75 respondents who answered 'Yes' at Question 3 did not answer the closed element at Question 4. They sometimes went on to suggest a higher premium (500% or higher) or that there should be no maximum premium.

The 50%, 150% and 250% maximums were preferred by 8%, 4% and 2% of those answering the question respectively.

Relative to all respondents, organisations, and particularly Local authorities, were more likely to favour the 100% maximum premium (35% of all organisations and 8 out of 18 Local authorities).

## **Please give reasons for your answer**

Around 515<sup>7</sup> respondents provided a further comment at Question 4. Many of those who did not think councils should be able to charge a Council Tax premium for second homes often referred back to their comments at Question 3 or simply stated that there should be no premium.

General reasons given for supporting a premium also tended to reflect those highlighted at Question 3, with respondents most likely to comment that:

- second homes are exacerbating the housing crisis and are hollowing out local communities
- Councils should be able to raise funds from second home owners to contribute to local services and the provision of new social housing

## **Reasons for supporting particular options**

Relatively few respondents commented on why they had selected the particular option they had chosen. However, the option-specific comments that were made are summarised below.

### **300% premium**

This was the preferred option for many of those raising concerns about the impact of second homes on housing supply and local communities. Councils being able to raise additional funds was seen as a mechanism through which second home owners could make a contribution to local services and mitigate the impact on local communities of properties not being used as primary homes. In addition to general comments about supporting local services, there were specific references to using funds raised through a premium for the provision of more housing, and particularly social housing.

“There is a housing crisis. If large taxes don't disincentivise second home ownership, it can at least help fund social housing etc.”

Individual

However, there was also a view that the 300% option *would* be a level that should help manage the number of second homes, for example by discouraging people

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<sup>7</sup> This includes those who commented at either or both of the 'Other – please specify' and the 'Please give reasons for your answer' options.

from buying properties which are going to be used very occasionally and by extension improving market conditions for local buyers.

However, many of those who selected the 300% option and went on to comment suggested either that the maximum should be higher or that there should be no maximum premium. This issue is picked up again below under 'Other' options.

### **200% premium**

It was suggested that this level of premium could be sufficient to deter some second home owners without being overly punitive, that those who can afford a second home can afford to pay a higher rate of tax on it, and that the premium paid would help to raise additional funds for local authorities. There was also reference to compensating for the impact of second home ownership on local communities.

### **100% premium**

A 100% premium tended to be seen as a reasonable or fair response, and again as not overly punitive. It was also seen as taking into account that:

- second home owners will not use a number of key local services, such as education, housing and social work.<sup>8</sup>
- there are a range of circumstances which mean second homes may not easily be brought into use as someone's main residence

### **50% premium**

A 50% premium was thought to reflect the fact that second home owners are likely to use fewer of the services provided by local authorities. It would also not be high enough to entirely discourage second home ownership and hence would not have a significant impact on areas that rely heavily on tourism.

### **'Other' options**

Most of those who had selected the 300% rate at Question 4 and then went on to comment suggested either a higher rate or that the premium should be unlimited. Specific suggestions ranged from more than 300% up to 1000%. The most-frequently-made suggestion was a 500% premium.

There were also a very small number of comments in favour of the maximum premium being set at below 50%, for example 20% or 25%. Reasons for supporting this lower rate included that it could apply if there is little or no local demand for the particular type of housing in the area.

Points made by the small number of respondents who selected the 'Other' option included that any rate should be determined by individual local authorities based on

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<sup>8</sup> The very small number of comments in support of the 150% option tended to raise similar points to those made in support of the 100% rate.

market conditions and economic tolerance, or that the rate should vary according to the amount a property is used.

## Approaches to setting a premium

Other comments addressed how any premium should be set, with the most frequent suggestion being that it should be at the discretion of individual local authorities. A number of Local authority respondents were amongst those taking this view. In overall terms, it was suggested that a premium of the type proposed is primarily about regulating the market and disincentivising second home ownership and that local authorities would be best placed to set a rate that is appropriate to their local context.

In terms of possible parameters for local discretion, options put forward included that:

- it should not be constrained by a national maximum premium
- it should be within an established range
- there should be no maximum level set nationally but that there should be a minimum premium
- local authorities should be free to apply different rates in different areas of their region

It was also suggested that any premium should mirror that for a long term empty property. This was connected to concerns about onerous administration and owners switching use for financial gain. The specific concern was that a higher second home premium compared to the empty home premium could encourage home owners to leave their property empty.

## **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.**

Around 845 respondents provided a comment at Question 5. Some of these comments reiterated points made at earlier questions, and at Question 3 in particular.

## Potential factors

The consultation paper listed factors which could be considered by councils when deciding whether to introduce a premium on Council Tax for second homes. A number of the comments, particularly amongst the respondents who said that they thought Councils should be able to charge a premium at Question 3, noted their agreement with one or more of the factors set out.

Those factors are set out in turn below, ordered according to the frequency with which they were referenced by respondents.



## **Patterns of demand for, and availability of, affordable homes**

As at the previous question, the most frequently raised theme, raised by many of those commenting, related to availability of housing, and particularly affordable housing. In terms of housing need or demand indicators that could be used, there was reference to housing shortages, and specifically to:

- homelessness statistics, including growing homelessness in local areas and demand for homelessness services
- social housing waiting lists

The importance of understanding residents' experiences and housing preferences was also highlighted. In terms of local residents' experiences, an example given was needing to move elsewhere for cheaper rent or being displaced or evicted to make way for second homes. In terms of understanding preferences, it was suggested that this would help to identify whether second homes, long-term empty properties and self-catering accommodation provide viable and attractive options for those seeking homes now and into the future.

## **Potential impact on local public services and the local community**

Although many of those commenting noted that they agreed with Councils taking the potential impact on local public services and the community into account, they tended not to make substantive further comment. However, there were references to the importance of reversing the decline in rural communities, including the size of the permanently resident population and the loss of service provision that results.

Respondents also made references to the importance of taking the views of the local community into account. It was suggested that the impact on of second homes on local culture and quality of life could be among the issues about which communities should be consulted.

## **Numbers and percentages of second homes in the local area and Distribution of second homes and other housing throughout the council area and an assessment of their impact on residential accommodation values in particular areas**

The other more frequently referenced factors were the number and distribution of second homes, albeit that comments did not always make a clear distinction between the two possible factors set out in the consultation paper.

Further comments from respondents included that local authorities could consider the numbers and percentages of second homes in the local area and consider when the proportion of the local stock in use as second homes is well in excess of the national average. Other suggestions were:

- the number of empty dwellings in a given area
- the number of second homes that are not short-term lets
- the distribution of both short-term lets and empty second homes in an area



Respondents also referred to considering rental values, including rising rent levels.

## **Potential impact on local economies and the tourism industry**

Further comments relating to the potential impact on local economies and the tourism industry tended to focus on the importance of appropriate housing being available for the local workforce, but this needing to be balanced with the needs of the tourism economy. It was also noted that these two issues are clearly linked and that in tourism destinations it will be important to balance to the need for an adequate supply of tourist accommodation with accommodation for seasonal workers and accommodation for residents.

Understanding the direct and indirect contributions that second homes make, including from employment across a range of sectors, such as tourism, retail, and trades, was also seen as important. There was also a call for further analysis to understand the extent to which second homes are contributing directly and indirectly to reversing de-population and achieving re-population in remote and rural communities, and the extent to which local communities would be impacted by second homes policy changes.

## **Other existing measures or policies that are aimed at increasing housing supply and the availability of affordable housing**

Although the least frequently referred to factor, a small number of respondents did highlight local strategy, policy or other measures that could be of relevance to, or help inform, any decision on whether to introduce a Council Tax premium. There was reference to:

- Local Housing Strategies and Local Place Plans
- Housing Supply Targets
- Strategic Housing Investment Plans

## **Other suggested factors**

Respondents were also asked if they had suggestions for other factors that local authorities could consider. One suggestion was that councils should consider the level and geographic distribution of poverty in their area, and how any premium on Council Tax for second homes is anticipated to effect this.

Ideas relating to addressing housing supply issues included consideration of:

- availability of land suitable for housing development
- the prevalence of land banking, brownfield sites or greenfield sites already built on in an area

Finally, there was reference to the impact on or for local authorities themselves, including the collectability of taxes and how this could impact on future revenue.

## Possible exemptions

The consultation paper also suggests that local authorities may decide not to use the powers or to disapply a premium for a specific period of time, and again set out a number of possible examples.

General observations from respondents included that having exemptions and delays to charging would be essential to providing a practical and workable approach to second home charging policies. An associated suggestion was that a national exercise to establish lessons learned from the long term empty home discretionary policies would be beneficial.

### **Where the owner's use of their accommodation is restricted by circumstances not covered by an exception from the premium**

Respondents were most likely to comment on this possible exemption, generally going on to make suggestions regarding the type of circumstances that might give rise to this exemption being made. These suggestions came from both those who thought Councils should be able to charge a premium and those who did not (as at Question 3).

They included on compassionate grounds, for example for a period after a property is inherited due to a bereavement. Further comments included that in these circumstances some beneficiaries may not have funds to do any works to the property, potentially making it difficult to sell or rent it out. Being charged double Council Tax in these circumstances could be counterproductive.

Other suggestions were if a property is:

- rented to, or lived in, by a close family member
- being used to allow someone to access healthcare, to provide support or care to a family member, or to have access to children
- being used as work accommodation or to allow someone to carry out their business activities
- undergoing major repair or restoration, including if it has been rendered uninhabitable due to serious fire or water damage

On the last issue, there were references to some of the challenges that come with restoring a property, particularly in rural areas, in terms of difficulties in sourcing tradespeople, escalating costs for materials, and rising interest rates.

### **Where charging a premium might cause hardship**

Views were mixed on this possible exemption, with one view that, if you can afford to have a second home, you are unlikely to be in financial hardship and that any challenges associated with paying a premium would be minor by most people's standards. An alternative perspective was that there may be circumstances when it might be reasonable to give an exemption based on financial hardship, including if personal circumstances and escalating costs mean that a property cannot be made habitable and/or made into a state when it can be sold. It was suggested that it would be counterproductive to charge a premium that actually led to properties

becoming long-term empty homes and/or which led to properties falling into or remaining in serious disrepair.

### **Where there are reasons why the home could not be lived in as a permanent residence**

Those who commented on this exemption sometimes noted that there are some properties that cannot be used as permanent residences, either because of planning status or because of their build type or location. On this latter point, there was reference to properties in remote locations and/or that cannot be made suitable for habitation over the winter months.

### **Where there are reasons why a home could not be sold or let**

Again, there were references to situations where a home could legitimately not be sold or let, with examples given being because of a low Energy Performance Certificate rating or because of being on a private water supply.

One suggestion was that, if owners can demonstrate that they have been trying to either sell or let a property, but have not been able to do so, they should be entitled to an exemption on any second home Council Tax premium.

### **Other comments**

Final comments from respondents included that any premium should only be chargeable for properties purchased after any provision has been brought in and, by extension, that the current owner of a second home should not be expected to pay a Council Tax premium on that home.

## **Behaviours of second home owners**

At Question 6 second home owners (and potential owners) were asked what they would do if applicable Council Tax rates were to increase, but the threshold for a property to qualify as self-catering accommodation for non-domestic rates purposes stayed the same. The current threshold for defining premises as self-catering holiday accommodation liable for non-domestic rates is that it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year. (Potential changes to this threshold are covered at Questions 13 - 18.)

**Question 6 – If you do, or were to, own a second home please tell us what you would do if the applicable rate of council tax were to increase, and the ‘thresholds’ to be classed as self-catering holiday accommodation for non-domestic rates purposes stayed the same?**

Responses to Question 6 by respondent type are set out in Table 9 below.

**Table 9: Responses to Question 6 by respondent type**

<b>Option</b>	<b>Number of respondents</b>	<b>% of all respondents</b>
A: The home is (or would be) already used as self-catering accommodation and liable for non-domestic rates	67	13%
B: The home is (or would be) already used as a private residential tenancy and the tenant is liable for council tax	64	13%
C: I would continue to use it purely for personal use and pay the higher rate of council tax	91	18%
D: I would continue with split use between self-catering accommodation (below the non-domestic rates threshold) and personal use, and pay council tax	21	4%
E: My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use. Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds	30	6%
F: My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation for 140 days or more and actually let it for 70 days or more in order to be liable for non-domestic rates	49	10%
G: I use my second home purely for personal use but I would change its use to a private residential tenancy	24	5%
H: I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy	7	1%
I: I will seek reclassification as an empty home and pay council tax	9	2%
J: I will sell the second home	149	29%
<b>TOTAL</b>	<b>511</b>	

Percentages may not sum to 100% due to rounding.

Respondents were most likely to say that they would sell their second home if the applicable rate of Council Tax were to increase, and the ‘thresholds’ to be classed as self-catering holiday accommodation for non-domestic rates purposes stayed the same; 29% of those answering the question said they would sell.

A further 18% said they would continue to use their property purely for personal use and pay the higher rate of Council Tax, while 13% respectively said that either the home is (or would be) already used as self-catering accommodation and liable for non-domestic rates, or is (or would be) already used as a private residential tenancy and the tenant is liable for Council Tax.

### **Please give reasons for your answer**

Around 445 respondents<sup>9</sup> provided a comment at Question 6.

As a general point it was argued that, as this question invites views of respondents if they own *or were to own* a second home, some responses are hypothetical and that answers should not be regarded as fully indicative of the behaviour of actual second home owners.

#### **A: The home is (or would be) already used as self-catering accommodation and liable for non-domestic rates**

Respondents who indicated that their home is already used as a self-catering property highlighted difficulties in meeting the current thresholds to qualify for the non-domestic rates regime, including challenges relating to the short tourist season in Scotland or a location that means a property is only suitable for use in summer.

#### **B: The home is (or would be) already used as a private residential tenancy and the tenant is liable for council tax**

Some respondents who chose this option and gave reasons for their answer indicated that they do not or would not own a second home, while others commented on the need to address the housing shortage or provide permanent homes for people who need them. It therefore seems likely that a proportion of those who suggested their property is or would be used as a Private Residential Tenancy (PRT) were selecting an option that they would like to see, rather than necessarily as likely behaviour in relation to a property they might own.

Among the small number of respondents who made points with respect to current letting arrangements for their own properties, comments included that since their tenants are liable for Council Tax, any tax increase would also increase tenants' living costs. It was also observed that, as landlords, owners would be liable for the tax during void periods and that concerns with respect to this liability might increase the chance that they decide to sell. Other costs associated with increased regulation were also highlighted.

#### **C: I would continue to use it purely for personal use and pay the higher rate of council tax**

Among respondents who explained their reasons for choosing this option, a small number noted that they would struggle to meet the higher rate of Council Tax, or

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<sup>9</sup> This includes those who commented at either or both of the 'Other – please specify' and the 'Please give reasons for your answer' options.

that they might also decide to sell, sometimes noting that this would depend on the level of premium imposed.

Reasons that the respondent would choose to retain the home for entirely personal use included that some homes have been in a family for many years and are used by other family members, and that others are intended as the owner's permanent residence when they retire. Respondents also highlighted the time and money that may have been put into their property or the extent to which they would be forced to cut back on local spending in order to meet an additional Council Tax charge.

**D: I would continue with split use between self-catering accommodation (below the non-domestic rates threshold) and personal use, and pay council tax**

Few respondents selecting this option explained their reasons, although one noted that their property is let out to help cover running costs.

**E: My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use. Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds**

Among respondents who explained their reason for choosing this option, some indicated that they would struggle to pay a Council Tax premium. Others expressed concern that, in some parts of the country, it may not be possible to meet the non-domestic rates thresholds, or noted that second home owners may actually use a property for more time than the occupancy required by the non-domestic rates threshold.

**F: My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation for 140 days or more and actually let it for 70 days or more in order to be liable for non-domestic rates**

Some respondents who explained their reasons for selecting this option indicated that they might also opt to sell. Others indicated that they would let their home as self-catering accommodation if doing so makes keeping the property as a second home more affordable, although reservations were expressed with respect to potential impacts on neighbours who may be friends, the possibility that neighbours might object, or that planning restrictions will mean they are unable to do so.

**G: I use my second home purely for personal use but I would change its use to a private residential tenancy**

Among respondents who chose this option, some noted that they would be unable to afford a Council Tax premium on their second property, and one, specifically, that they would not convert to holiday accommodation because they felt this would adversely impact their neighbours.

### **H: I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy**

Only a very small number of respondents chose this option, with few additional comments, most frequently that the owner might also be forced to sell.

### **I: I will seek reclassification as an empty home and pay council tax**

Again, only a very small number of respondents chose this option. One noted that although their job would require a temporary move, they would eventually want to return to the property.

### **J: I will sell the second home**

Although selling the home was the most frequently chosen option, it should be noted that (as with respect to option B) some indicated that they do not, and do not plan to own a second home.

Other respondents indicated that they cannot afford or are not prepared to pay a Council Tax premium. Some explained reasons that they would not be prepared to rent out the property including potential disturbance to neighbours, previous adverse experiences in dealing with tenants, increased levels of regulation and associated costs, or that the property would not currently meet required standards for either self-catering or a residential tenancy.

A small number of respondents expressed an intention to purchase a different property, either in an area where there is no Council Tax premium, or outside Scotland.

## **Other actions**

Some respondents who did not answer the closed question went on to make a comment at Question 6, with the most frequent being:

- that the respondent does not own (and, in some cases, and would not seek to own) a second home, or that they cannot afford to purchase one home
- that the respondent is unsure what they would do at this point, or will decide only when potential premiums are set
- that the policy of charging a Council Tax premium on second homes is unfair or unjustified, with some respondents expressing an intention to attempt to challenge any additional charge

Smaller numbers of respondents indicated that they would consider:

- switching a second home to become their primary residence
- having a child or partner move into the property as their main residence, in some cases legally separating from a partner such that each individual can make a different property their main residence

Others highlighted potential limitations on their choices, including barriers (as also noted at F above) to operating as self-catering accommodation.

## 3: Empty homes

### Council Tax premiums

Councils currently have the discretion to charge up to 100% premium on Council Tax on homes that are empty for longer than 12 months. The consultation paper sets out both the current discretionary powers for councils to change Council Tax liability for empty homes, and lists current exemptions from Council Tax. Potential factors that could be taken into account by councils when deciding whether to introduce a premium on Council Tax for second homes include:

- numbers, percentages and distribution of long-term empty homes throughout a local area
- potential impact on local economies and the community
- patterns of demand for, and availability of, affordable homes
- potential impact on local public services; and impact on neighbours and local residents

Councils may adopt a policy to not use these powers or to disapply a premium for a specific period of time. This could be where there are reasons why a home could not be sold or let, where a sale is in progress but has not been completed, where the home has been recently purchased by a new owner that is actively taking steps to bring the home back into use, where a planning application or appeal is preventing work to bring the home back into use, or where charging a premium might cause hardship or act as a disincentive to bringing the home back into use.

### **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?**

Responses to Question 7 by respondent type are set out in Table 10 below.



**Table 10: Responses to Question 7 by respondent type**

	Yes	No	Don't know	Total
<b>Organisations:</b>				
Campaign group or union	4	1	-	5
Community or Development Trust	6	-	-	6
Housing	4	-	-	4
Local authority	19	7	-	26
Public body or agency	4	-	-	4
Representative or professional body	5	2	-	7
Tourism, including accommodation provider	3	5	1	9
Other	1	-	-	1
<b>Total organisations</b>	<b>46</b>	<b>15</b>	<b>1</b>	<b>62</b>
<b>% of organisations</b>	<b>74%</b>	<b>24%</b>	<b>2%</b>	
<b>Individuals</b>				
	513	285	72	870
<b>% of individuals</b>	<b>59%</b>	<b>33%</b>	<b>8%</b>	
<b>All respondents</b>	<b>559</b>	<b>300</b>	<b>73</b>	<b>932</b>
<b>% of all respondents</b>	<b>60%</b>	<b>32%</b>	<b>8%</b>	

Percentages may not sum to 100% due to rounding

A majority of respondents – 60% of those answering the question – thought councils should be able to charge a higher premium than the current 100% (of Council Tax on homes empty for longer than 12 months). Of the remaining respondents, 32% did not think so and 8% did not know.

Organisations were more likely to support being able to charge a higher premium, with 74% of those answering the question thinking it should be an option. Tourism organisation respondents were the only group in which a majority did not support councils being able to charge a higher premium.

## **Please give reasons for your answer**

Around 710 respondents provided a comment at Question 7.

### **Why councils should be able to charge a higher premium**

Support for a power for councils to charge a higher Council Tax premium for empty homes was most likely to be linked to a view that tackling long-term empty homes should be a national priority. Respondents referred to the potential for empty homes to have a significant negative impact on local communities, neighbourhoods and adjoining properties. It was reported that this as a particular issue for rural and island communities, with the suggestion that empty homes are a more significant issue than second homes in parts of Scotland.

Discussion of the potential adverse impact of empty homes generally focused on the loss of accommodation required to meet local housing need. It was suggested

that empty homes are a wasted resource with potential to help alleviate unmet housing need, and that income from higher premiums should be used to further support access to affordable housing.

“In the middle of a housing crisis, councils should be able to incentivise use rather than houses remaining empty. It’s crucial that Scotland’s housing stock is brought into use and higher council tax rates can act as one of these incentives.”

Individual

The increasing number of empty homes was seen as evidence that the current 100% premium is insufficient, and that some owners are prepared to pay the current premium rather than bringing their property back into use. There was support for a higher Council Tax premium as a more effective incentive for owners of empty homes.

## **Responding to local needs and circumstances**

Support for higher Council Tax premiums was also linked to a view that greater flexibility is required as part of a more place-based approach. It was suggested that the option of higher premiums would allow Councils more discretion in how they respond to local needs and circumstances, with higher premiums used when there are local issues around housing need and sustainable communities that need to be addressed. There was also a view that higher premiums would enable councils to target persistent long-term empty homes, while taking account of factors that may constrain the scope for homes to be brought back into use.

Respondents also wished to see councils consider the specific needs and circumstances of the owners of empty homes, including the potential impact of a higher Council Tax premium. There were references to owners struggling to meet renovation costs to bring empty homes back into use, and suggestions that councils must base decisions on a careful assessment of owners’ circumstances. As noted below, those opposed to higher premiums raised concerns around potential for financial hardship; similar concerns were expressed by those who supported higher premiums, but who wished to see these applied in a way that is sensitive to potential adverse impacts.

## **Concerns and opposition to councils being able to charge a higher premium**

The most commonly raised concerns around higher Council Tax premiums were linked to a view that this should take account of the range of reasons that can contribute to properties lying empty. This included a particular focus on the potential for significant time (i.e., more than 12 months) to be required to bring properties back into use. For example, it was noted that the limited supply chain in many rural and island areas can add delays to this process, and that housing market factors can limit owners’ ability to sell. There were also calls for any use of higher premiums to take account of owners’ specific circumstances with reference to potential for delays associated with ill health, bereavement and financial constraints.

Opposition to higher Council Tax premiums included scepticism around the extent to which an increased premium will incentivise more owners to bring empty properties back into use. There was a view that some may simply choose to pay a higher premium, while others may continue to refuse to pay any premium. It was also suggested that, in areas with limited housing demand, owners may not have any realistic prospect of bringing properties back into use.

“It cannot be assumed that large numbers of people who currently can afford a 100% premium will bring their house back to use [if premiums increase]. Many may simply choose to continue paying the money and leave their home empty.”

Representative or professional body

Respondents also saw potential for higher premiums to discourage or limit the ability of owners to bring properties back into use. This was connected to feedback from owners of empty homes on the impact of inflation on renovation and other costs. There was also a view that higher premiums would be difficult to justify in the context of a cost-of-living crisis or that, in making decisions around the application of Council Tax premiums, councils must consider the ability of owners to pay.

In the context of the above concerns, it was suggested that the current 100% premium strikes the right balance between incentivising owners and ensuring that they are not financially constrained by additional premiums, but that any further increase in premiums for empty homes would be excessive and unfair.

There was also a view, that the existing 100% premium is already too high. This included suggestions that Council Tax should be used only to support the cost of local services, and that use of premiums to ‘penalise’ owners of empty homes is not an appropriate function for the Council Tax system. It was noted that empty homes do not increase the burden on local council services and it was suggested that an alternative or additional tax would be a more suitable approach to tackling empty homes.

## **Alternative or additional options**

Alongside comments on the potential role of higher Council Tax premiums, a number of respondents recommended other approaches as a means of tackling empty homes. The following measures were proposed as alternatives or additions to higher premiums:

- compulsory purchase, including for use as social housing
- compulsory leasing, for example to local community organisations
- provision of finance to support refurbishment, including calls for reintroduction of Home Improvement Grants and reference to the Irish Government’s Vacant Property Refurbishment Grant

## Question 8 – If you have answered yes to Question 7, what do you think the maximum premium councils could charge should be?

Responses to Question 8 by respondent type are set out in Table 11 below.

**Table 11: Responses to Question 8 by respondent type**

	150%	200%	250%	300%	Other	Total
<b>Organisations:</b>						
Campaign group or union	-	-	-	3	-	3
Community or Development Trust	-	1	-	5	-	6
Housing	-	-	-	-	-	0
Local authority	-	3	-	9	1	13
Public body or agency	-	1	-	1	-	2
Representative or professional body	-	1	-	-	1	2
Tourism, including accommodation provider	-	2	-	-	-	2
Other	-	-	-	-	-	0
<b>Total organisations</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>18</b>	<b>2</b>	<b>28</b>
<b>% of organisations</b>	<b>0%</b>	<b>29%</b>	<b>0%</b>	<b>64%</b>	<b>7%</b>	
<b>Individuals</b>						
<b>Individuals</b>	<b>46</b>	<b>84</b>	<b>13</b>	<b>240</b>	<b>0</b>	<b>383</b>
<b>% of individuals</b>	<b>12%</b>	<b>22%</b>	<b>3%</b>	<b>63%</b>	<b>0%</b>	
<b>All respondents</b>	<b>46</b>	<b>92</b>	<b>13</b>	<b>258</b>	<b>2</b>	<b>411</b>
<b>% of all respondents</b>	<b>11%</b>	<b>22%</b>	<b>3%</b>	<b>63%</b>	<b>0%</b>	

Percentages may not sum to 100% due to rounding

A majority of respondents – 63% of those answering the question – thought the maximum premium councils could charge should be 300%. Of the remaining respondents, 22% favoured 200%, 11% favoured 150% and 3% favoured 250%.

### Please give reasons for your answer

Around 410 respondents<sup>10</sup> provided a comment at Question 8. These included respondents objecting to any increase in the existing premium for empty homes, or who did not think that any premium should be charged on top of regular Council Tax rates.

Support was most commonly linked to a view that a more robust approach is required as an effective incentive to encourage owners to bring empty homes back into use. Respondents saw higher Council Tax premiums as potentially effective

<sup>10</sup> This includes those who commented at either or both of the 'Other – please specify' and the 'Please give reasons for your answer' options.

and noted that any monies raised would also support wider policy priorities around poverty, housing and sustainable communities.

In terms of the effectiveness of the approach, it was suggested that a significantly higher premium may be required to achieve real change. The high monetary value of some empty homes was noted, and there was a view that a significant premium may be required to have an impact in these cases. There were also calls for premiums to be set at a level that can cover potential legal costs for councils, and compensate for the negative impact on communities, for example by funding community-led housing and infrastructure improvements.

However, it was also noted that care will be needed to ensure that higher premiums do not undermine owners' ability to fund the necessary works. There were also concerns that excessively high premiums could unfairly penalise owners, reflecting a view that empty homes place less burden on Council services and that some of the proposed premiums (e.g., 300%) would be excessive.

It was suggested that the approach to tackling empty homes should give councils greater scope to respond to local pressures and circumstances whilst also considering the reasons that contribute to properties being empty, including owners' individual financial circumstances.

“The tax premium must be impactful if it is to deliver the policy objective. We appreciate there are many reasons for homes being empty but consider local authorities should have discretion.”

Community or Development Trust

There were also calls for councils to base their decisions on robust evidence (including assessment or modelling of potential outcomes), and for the Scottish Government to provide councils with the tools to enable this.

## **Reasons for supporting particular options**

Relatively few respondents commented on why they had selected the particular option they had chosen. However, where specific comments were made, they are summarised below.

### **300% premium**

Many of those selecting this option were focused on the potential impact of empty homes on housing supply, deprivation and sustainability of communities. These respondents saw higher premiums as being required to incentivise owners to bring empty homes back into use, and noted that a similar premium has proven effective in Wales. While it was suggested that a 300% premium may not be necessary in all cases, there was support for councils having the option available where it was deemed appropriate.

Support for a 300% premium was also linked to a view that Council Tax premiums should be set at a level that can compensate for negative impacts on local

communities. This included specific reference to investment of funds raised through a premium to support social housing supply, local infrastructure and services.

There were also calls for the maximum premium to be higher still, or that there should be no maximum premium. These comments are considered further under 'Other' options.

### **200% premium**

200% was described as sufficient to incentivise owners to bring empty homes back into use, and to raise additional funds for local authorities and communities, while ensuring that owners still have sufficient funds to undertake required improvement works. There was also reference to use of higher 300% premiums in Wales as being excessive.

### **100% premium**

Retaining the current 100% premium was supported by those who felt that higher premiums would unfairly penalise owners of empty homes, with potential to cause significant financial hardship. It was suggested that such premiums cannot be justified in the context of a cost-of-living crisis, and that higher premiums would be unfair as empty homes reduce the burden on councils as owners do not use local services.

Support for the existing premium was also linked to a view that this balances the need to incentivise use of empty homes with ensuring that owners are still able to fund necessary repairs. These respondents also felt that a more 'reasonable' premium would recognise the range of factors that can contribute to homes remaining empty, again to ensure that owners are not unfairly penalised.

### **'Other' options**

As noted earlier, those selecting the 300% option at Question 8 included respondents who thought that there should actually be no maximum rate in place or that the maximum should be significantly higher than 300%. Again, this was primarily linked to a view that very significant premiums may be required in some cases to incentivise owners and/or compensate communities, and that councils should have these options available. Most of those suggesting rates of more than 300% proposed a maximum in the range 400-500%.

## **Approaches to setting a premium**

Respondents also addressed how any premium should be set, with Local authority and Public body or agency respondents amongst those suggesting that councils should be given discretion to respond to local circumstances. However, there were also calls for clear restrictions or guidance on how councils apply higher Council Tax premiums, including appropriate exemptions, to ensure that owners are not unfairly penalised.

Other comments around specific approaches to Council Tax premiums included calls for implementation of premiums to ensure consistency with the approach to second homes.



## Question 9 – Do you think there should be a stepped approach to charging higher rates of council tax on long-term empty homes?<sup>11</sup>

Responses to Question 9 by respondent type are set out in Table 12 below.

**Table 12: Responses to Question 9 by respondent type**

	Yes	No	Don't know	Total
<b>Organisations:</b>				
Campaign group or union	2	2	-	4
Community or Development Trust	5	1	-	6
Housing	3	-	-	3
Local authority	20	6	2	28
Public body or agency	4	-	-	4
Representative or professional body	5	1	-	6
Tourism, including accommodation provider	4	2	1	7
Other	-	-	1	1
<b>Total organisations</b>	<b>43</b>	<b>12</b>	<b>4</b>	<b>59</b>
<b>% of organisations</b>	<b>73%</b>	<b>20%</b>	<b>7%</b>	
<b>Individuals</b>				
Individuals	462	288	105	855
<b>% of individuals</b>	<b>54%</b>	<b>34%</b>	<b>12%</b>	
<b>All respondents</b>	<b>505</b>	<b>300</b>	<b>109</b>	<b>914</b>
<b>% of all respondents</b>	<b>55%</b>	<b>33%</b>	<b>12%</b>	

A small majority of respondents – 55% of those answering the question – thought there should be a stepped approach to charging higher rates of Council Tax on long-term empty homes. Of the remaining respondents, 33% did not think so and 12% did not know.

### Please give reasons for your answer

Around 640 respondents provided a comment at Question 9, including respondents who disagreed with a stepped approach on the grounds that they objected to any additional Council Tax premium, or who felt that any premium should be limited to the current 100%. Points made specifically in relation to a stepped approach to Council Tax premiums are considered below.

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<sup>11</sup> By 'stepped approach' we mean only giving councils powers to charge higher rates of council tax the longer the home is empty. For example, 100% premium at 12 months, 200% premium at 2 years, 300% premium at 5 years.

## Reasons for supporting a stepped approach

The most frequently given reason for supporting a stepped approach was that this would be fairer and more effective than immediate Council Tax increases. This reflected concerns around ‘cliff edge’ increases and the potential for an immediate application of a higher premium to cause significant financial hardship. It was suggested that a stepped approach would allow a balance between incentivising owners without unfairly penalising those who lack the resources to bring a property back into use.

“A stepped approach to charging higher rates would be sensible, as we believe the aim of these measures should be to disincentivise empty properties and not to punish owners who may be struggling financially to maintain their property or to bring it back into use.”

Housing

Giving owners the time to make these decisions was also seen as a more effective approach. For example, it was noted that the process can be especially challenging for smaller landlords, individuals who find themselves responsible for an empty home (e.g., due to inheritance), and those in rural and island communities.

In addition to its effectiveness in delivering policy objectives, a stepped approach was seen as more appropriate for persistent long-term empty properties specifically. Respondents also referred to the complexity of bringing long-term empty homes back into use. It was noted that these properties can be uninhabitable and unsafe, potentially requiring extensive and costly repair works, or may have stood empty for a long period due to local economic and housing market conditions.

A stepped approach was also seen as potentially avoiding causing owners significant financial hardship and/or as a good option where more time is required to deal with a property. However, there was also thought to be a need for councils to retain the option to charge the maximum premium after 12 months, or to apply increases more quickly where this is justified by specific circumstances.

In this context, respondents highlighted the importance that councils’ application of a stepped approach is based on a robust assessment of likely impact and supported by careful monitoring of impact. This was linked to concern that not all councils are using sufficient discretion in their use of existing powers.

Nationally set limits were proposed, within which any stepped approach should be applied.

## Reasons for opposition to stepped approach

Reasons for opposing a stepped approach included not seeing any case for increasing premiums gradually over time, including because it would not reflect the urgency of the issues being addressed. It was suggested that 12 months is sufficient time for owners to take steps to sell or bring their property back into use.

Concerns were also raised around administration of a stepped approach, including that it would add unnecessary complexity and confusion to the system. It was also



noted that such an approach would require regular updating of information on the status of empty homes and there was concern that the additional resources required to administer the system could undermine the benefit of any additional funds generated by higher premiums.

In terms of empty home owners, it was suggested that the proposals do not take account of the differing reasons for properties remaining empty. For example, there were calls for any stepped increases to allow for cases where owners are constrained by external barriers. These comments were linked to a view that some councils are failing to apply sufficient discretion in their administration of current Council Tax premiums.

“While the current policy is well intentioned it has potential to be poorly executed. Councils are not using discretion when applying the existing policy and therefore it is felt to be unlikely that they might use discretion with any higher premium.”

Representative or professional body

## **Considerations around implementing a stepped approach**

Those expressing support for a stepped approach to higher premiums also highlighted a range of points around how any such approach should be implemented. Key points raised around the application of a stepped approach included:

- the importance of effective communication with owners around how premiums will increase through a stepped approach
- the need for a stepped approach to be supported by a wider package of interventions, such as information and advice services for owners
- that a council’s decision to apply a stepped approach is based on consideration of factors such as work already undertaken, any environmental health or antisocial behaviour issues, and costs incurred by the council

There was also reference to particular complexities in dealing with longer-term empty homes in rural areas, for example due to the limited local supply chain or the need for substantial energy efficiency improvement works. It was suggested that any higher premium should not apply until properties have been empty for 3 years in these areas.

Finally, a specific issue was raised for new owners being charged the higher premium immediately or after a short period, where the previous owner has used the 12-month allowance period. It was suggested that this could deter potential buyers, and that a stepped approach may be more effective in enabling new owners to bring properties back into use.

**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.**

Around 445 respondents answered Question 10. Most of these respondents felt that additional exceptions are not required. There was opposition to any exemptions from higher premiums, but most were of the view that existing exceptions are sufficient to account for circumstances where a higher Council Tax premium would not be appropriate.

“The current list of exemptions is effective and provides a good range of flexibilities when levying premiums.”

Local authority

It was also noted that councils are permitted to use discretion in applying premiums to take account of exceptional circumstances, and there were calls for councils make more use of this discretion to better tailor their approach to local needs and circumstances, for example where so doing would improve the prospect of a property being brought back into use. Updates to legislation and guidance were suggested to support councils in using their discretion.

## **Existing exemptions**

There was thought to be a need for review of existing exemptions to ensure they support overall policy objectives around empty homes. This was linked to a view that the current exemptions add significant complexity to the system and a view that not all may be suitable. Those highlighted included:

- owners living or detained elsewhere
- owners declared bankrupt
- difficult to let properties, including a view that councils and other affordable housing providers should be exempt from increases in relation to hard to let properties
- ministers
- repossessed properties
- student accommodation
- agricultural buildings

Respondents questioned the rationale of these exemptions. For example, it was suggested that exemption for agricultural buildings is inconsistent with policies to support housing supply and sustainable communities in rural areas, and there were questions around how exemption for repossessed dwellings would help to reduce

the number of empty homes. There were also concerns around the unlimited period for which some exemptions can apply.

## **Proposals for addition to existing exemptions**

There was a view that the current set of exemptions does not take account of the range of potential challenges for owners seeking to bring empty homes back into use. It was noted that these can be related to factors that are outwith owners' control, such as delays to planning processes, access to a local supply chain to support renovation works, or lack of housing market demand. There was concern that charging the maximum Council Tax premium in these cases could lead to unnecessary demolition of properties.

Reflecting these concerns, respondents proposed a range of additional exceptions, including in relation to properties that are uninhabitable due to repair or renovation, in line with Schedule 1 Para 2 of the Council Tax (Exempt Dwellings) (Scotland) Order 1997. It was noted that 1997 Order and the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 together mean that properties undergoing work to make them habitable should be exempt for up to 12 months, and that a 50% discount applies from the date of any subsequent sale. Other proposed exceptions included where a property exceeds the exemption period:

- due to delays in the planning system
- due to environmental issues outwith the owner's control, such as roosting bats
- due to unexpected property-related issues requiring remediation, such as dry rot
- due to a lack of suitable suppliers in the area
- following an unexpected occurrence such as flood or fire
- due to systemic housing demand issues, noted as a particular issue in remote rural areas
- due to delays in managing the estate following the death of the owner, including delays in securing probate

Exceptions were also suggested with respect to:

- properties in remote rural locations with poor access, in locations that make them unsuitable for occupation unless by individuals employed in the immediate vicinity, or which need to be kept available for future employees or succession planning
- properties located in flood risk areas, which are not appropriate for return to the housing stock
- properties in disrepair that are not suitable for assistance to be brought back into the housing stock, for example that do not meet the eligibility criteria for empty homes grants and loans
- properties in the process of being replaced by housing in a more appropriate location, as per National Planning Framework 4 Policy 17a(viii)

- properties that are empty due to owner’s caring duties
- circumstances where owners are working away from home for an extended period (including as armed forces personnel)
- circumstances where owners are living in tied accommodation and have nominated the empty home as their primary residence

Other suggestions were made with respect to:

- resetting the period of exemption for new owners intending to renovate a property, where the sale follows a period of the property being unoccupied
- allowing properties to remain furnished while being marketed, to avoid owners being forced to dispose of usable furniture
- allowing additional time for properties where a sharing owner dies
- allowing an exception or discount for homes not suitable for year-round occupation

It was noted that some of the exemptions listed above would effectively formalise discretion that owners may expect from councils in their decisions around whether to implement higher premiums, for example where factors outwith owners’ control lead to delays. Those raising this issue wished to see formal exemptions in place for these circumstances, rather than relying on council discretion.

**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.**

Around 570 respondents answered Question 11.

There was support for all of the factors listed in the consultation paper as relevant considerations for decisions around the introduction of premiums for empty homes. It was suggested that the listed factors would be sufficient to ensure that councils have scope to take account of local needs and circumstances. This was most commonly highlighted in relation to factors affecting the process of bringing empty homes back into use, such as planning delays and the time required for complex renovation works. Respondents also wished to see scope for councils to take account of variation across urban, rural and island locations.

“[We] believe that all these factors are relevant, but they should be set at a local level based on local circumstances.”

Local authority

Support for the factors listed in the consultation paper also included calls for nationally agreed exceptions and factors that councils are expected to consider. This was seen as preferable to more extensive use of council discretion, providing certainty for owners and prospective buyers of empty homes. An opposing view was that councils should retain scope to use discretion in applying Council Tax

premiums and should not be constrained by a specified list of exceptions and factors, although it was also argued that council decisions must be transparent and evidence based.

## **Views on specific factors listed in the consultation document**

Respondents expressed specific support for a number of the factors listed in the consultation document, most frequently in relation to local housing markets. Most of those who commented saw factors such as housing need and supply, affordability and homelessness as relevant for decisions on Council Tax premiums. It was also suggested that councils should consider the extent to which individual empty homes are of the right type, size and location to meet local needs.

There was also reference to the distribution of empty homes and the adverse impact of high concentrations of empty homes, and it was suggested that councils should take account of risks to community sustainability associated with empty homes, potential impacts on local public services, and the contribution that an empty home could make to the local economy if brought back into use. However, an alternative perspective was that discretion should only be exercised in relation to the process of bringing an empty property back into use.

In terms of specific circumstances where councils may choose not to apply higher premiums, respondents also referred to factors preventing the sale or let of empty homes, for example due to the owner's ill health and/or being taken into care. It was suggested that any exemption must not allow owners to frustrate the sale process by setting an excessive asking price.

Respondents also wished to see councils take account of the risk that a higher premium would cause financial hardship for an owner, and/or prevent the owner from completing necessary repairs. It was noted that this may become a more significant issue in the context of ongoing inflationary pressures. However, there was also a concern that financial hardship is too subjective to justify an exemption from higher premiums.

## **Other relevant factors**

Respondents highlighted a number of other considerations as relevant to council decisions on the application of Council Tax premiums, including a view that councils should be able to consider any factor that they believe to be relevant to the application of premiums.

Councils should be at liberty to consider any factor that they believe to be relevant... The critical requirement is that they are transparent about how they have come to a decision and the outcomes they hope to achieve.

Local authority

In terms of specific factors, there were repeated calls for an exemption where owners can evidence ongoing repair works to bring the empty home back into use. Other considerations highlighted as relevant to application of Council Tax premiums included:

- where the property is empty due to long-term ill health and/or owners moving into care, following bereavement or family breakdown, including delays associated with legal processes
- where a property has been inherited and the new owner wishes to retain a connection to the local area
- whether the empty property is being well maintained
- where the owner is responsible for multiple empty homes
- where owners are actively engaged with empty homes officers
- the level and distribution of poverty in the local area, and how this might be affected by any Council Tax premium
- specific economic factors, such as the ability of owners to attract and retain staff
- local community views and experiences
- the potential for additional local authority revenue to be generated

## Behaviours of owners of empty homes

At Question 12, owners of empty homes were asked what they would do if their local council decided to impose a Council Tax premium of greater than 100%. Questions 6, 19 and 20 asked second home owners (and potential owners) similar questions about their likely behaviours depending on changes in Council Tax premiums and non-domestic rates thresholds.

### **Question 12 – If you do, or were to, own a home that has been empty for longer than 12 months, please tell us what you would do if your council decided to increase the maximum council tax charge above 100% premium?**

Responses to Question 12 are set out in Table 13 below.

**Table 13: Responses to Question 12 by behaviour of empty home owners**

Option	Number of respondents	% of all respondents
A: Leave the home empty and pay the higher Council Tax	55	10%
B: Sell the empty home	294	54%
C: Use the home as a PRT	102	19%
D: Use the home as a short-term let	89	16%
<b>TOTAL</b>	<b>540</b>	

A small majority of respondents – 54% of those answering the question – said they would sell the property if their council decided to increase the maximum Council Tax charge above 100% premium. Of the remaining respondents, 19% said they would rent the property using a PRT, 16% that they would use it for short-term letting and 10% that they would leave the property empty.

## **Please give reasons for your answer**

Around 360 respondents<sup>12</sup> provided a comment at Question 12.

The themes covered often reiterated points made at earlier questions, for example around general opposition to higher Council Tax premiums, the potential barriers to owners bringing empty homes back into use and concerns that higher premiums may cause financial hardship and undermine owners' efforts to renovate their properties. It was also suggested that higher premiums:

- are unlikely to be effective in encouraging empty home owners to renovate or sell their property if they are not already planning to do so
- will result in more empty homes being demolished or becoming uninhabitable, for example if owners cannot justify or fund renovation costs without assistance

However, there was also support for higher premiums as a means of incentivising owners to make use of empty homes, whether by selling or using the home as a short-term let. It was suggested that, for most owners, higher premiums would mean that using the property is the most rational decision. A further view was that there is no good reason for an owner to keep an empty home if the property is not being used.

Finally, a Public body or agency respondent queried whether responses to this question are likely to be representative of 'real world' decisions by the wider population. It was suggested that reviewing the impact of similar legislative changes in other jurisdictions is likely to be of more value.

## **Considerations likely to influence decisions**

Respondents identified a range of factors that were seen as likely to influence the decision of owners in response to higher Council Tax premiums for empty homes. Few of those providing comment had direct experience of this issue, and only a small number indicated that they currently owned an empty home. Respondents indicated that they would never wish to keep a property empty for an extended period, and suggested that owners have a 'moral' obligation to make their property available for use wherever possible.

There was reference to the diversity of empty homes and potential for owners' decisions to be based on a wide range of variables. This included discussion of financial circumstances, future plans for the property (especially planned future use by the owner or their family), planning restrictions, the suitability of the property to be returned to housing stock, and whether owners feel able to manage a private let or short-term holiday let. In this context, information and advice was seen as important in helping owners to select the most suitable route.

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<sup>12</sup> This includes those who commented at either or both of the 'Other – please specify' and the 'Please give reasons for your answer' options.



“This would depend on a lot of factors. It is unlikely we would have the home empty for long periods...if it were to be empty I am not entirely sure which avenue we would follow!”

Individual

It was also noted that there may be good reasons for a property to remain empty for a period of time. Respondents cited examples of factors that may limit owners' ability to sell or let the property, such as current private rented sector regulation, mortgage conditions, the administrative burden of short-term holiday lets, and adverse market conditions limiting scope for sale. Other potential reasons for properties remaining empty included disrepair and poor energy efficiency, the time and cost of renovation, ill health (including owners moving into care), and owners working away from home for long periods.

It was suggested that higher premiums are unlikely to overcome these issues, particularly where owners are refusing to pay the current premium, and may add to financial constraints on owners seeking to renovate their property. There was concern that proposals would unfairly penalise owners of empty homes, for example if they are forced to sell at a reduced price due to financial hardship created by higher premiums. It was argued that there must be sufficient exemptions or allowances to take account of extenuating circumstances that may limit owners' ability to use their property.

## **Reasons for choosing specific options**

A number of respondents commented specifically on their reasoning for choosing a particular option. These comments are summarised below.

### **Leave empty and pay the higher Council Tax**

Reasons for owners choosing to pay the higher Council Tax included that appreciation in the value of the property is likely to justify paying a higher premium, and a view that owners are likely to be able to pay a higher premium if they can afford to leave a property empty for more than 12 months. It was also suggested that owners may choose to pay a premium for a short period while completing renovations. There was also a view that owners would rather pay the premium than allow government policy to 'dictate' how they use their property.

### **Sell the empty home**

Respondents indicating that they would choose to sell an empty home included those in favour of higher premiums who saw no need for an owner to retain a property if it remains empty for a prolonged period. Those opposed to higher premiums also suggested that they would choose to sell, primarily due to financial considerations. This included if the premium is likely to outweigh any capital appreciation or paying would result in financial hardship. It was also noted that the regulatory and administrative burden means that private renting or short-term lets are not appealing prospects for some owners.



### **Use the home as a PRT**

Reasons for choosing a PRT included that this may be a suitable option where other factors prevent owners from selling. There was also a view that renting is a more productive use of an empty property than short-term lets, with potential to deliver benefits to the local community, including a preference for properties being offered to a social landlord or for a fair rent. It was suggested that private renting may also be a financial prudent choice, securing an ongoing income and retaining the property as an investment (e.g., for future retirement). However, it was also suggested that private tenancy regulations could put owners off this option.

### **Use the home as a short-term let**

This was seen as a preferred option where there is limited buyer or rental demand, or where owners wish to retain the property for future use. While there was a view that short-term let regulations would deter them from this course of action, it was also suggested that this option would be 'worth the effort' to retain the home and avoid paying a higher premium. Short-term lets were described as more financially beneficial than PRTs, and there was reference to the regulatory burden associated with PRTs.

### **Other possible responses referenced by respondents**

There was also a small number of other suggestions for use of an empty home in response to higher Council Tax premiums. These included:

- making the property their permanent residence, or using as a second home
- passing the property to a family member for their use
- demolishing or making the property uninhabitable
- refusing to pay any Council Tax premium
- seeking an exemption or looking for 'loophole'

## 4: Letting thresholds for non-domestic rates

The owners, tenants or occupiers of self-catering accommodation (who may be businesses, the public or the third sectors) may be liable for either Council Tax or non-domestic rates. This includes owners of second homes who use them for self-catering accommodation. The current threshold for defining premises as self-catering holiday accommodation liable for non-domestic rates is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

### Question 13 – Do you think that the letting thresholds for self-catering accommodation for non-domestic rates should be changed?

Responses to Question 13 are set out in Table 14 below.

**Table 14: Responses to Question 13 by respondent type**

	Yes	No	Don't know	Total
<b>Organisations:</b>				
Campaign group or union	4	1	-	5
Community or Development Trust	5	-	-	5
Housing	1	-	1	2
Local authority	22	1	3	26
Public body or agency	3	-	1	4
Representative or professional body	3	3	1	7
Tourism, including accommodation provider	1	9	-	10
Other	-	-	-	0
<b>Total organisations</b>	<b>39</b>	<b>14</b>	<b>6</b>	<b>59</b>
<b>% of organisations</b>	<b>66%</b>	<b>24%</b>	<b>10%</b>	
<b>Individuals</b>				
<b>Individuals</b>	<b>449</b>	<b>198</b>	<b>208</b>	<b>855</b>
<b>% of individuals</b>	<b>53%</b>	<b>23%</b>	<b>24%</b>	
<b>All respondents</b>	<b>488</b>	<b>212</b>	<b>214</b>	<b>914</b>
<b>% of all respondents</b>	<b>53%</b>	<b>23%</b>	<b>23%</b>	

Percentages may not sum to 100% due to rounding

A small majority of respondents – 53% of those answering the question – thought that the letting thresholds for self-catering accommodation for non-domestic rates should be changed. The remaining respondents were evenly divided between those who did not think they should be changed and those who did not know.

Organisations were more likely to think that the threshold should be changed, with 66% thinking it should and 24% that it should not. Most Local authorities supported a change, but most Tourism organisations did not.

The table below compares views between those who reported that they owned one or more second homes, long-term empty homes or short-term let/self-catering accommodation with those who did not.

**Table 15: Views on letting thresholds for non-domestic rates by property type owned**

	Yes	No	Don't know	Total
Owens a second home, long-term empty home or short-term let/self-catering accommodation	82	126	114	322
<b>% of above</b>	<b>25%</b>	<b>39%</b>	<b>35%</b>	
Does not own a second home, long-term empty home or short-term let/self-catering accommodation	406	87	100	593
<b>% of above</b>	<b>68%</b>	<b>15%</b>	<b>17%</b>	
All respondents	488	212	214	914
<b>% of all respondents</b>	<b>53%</b>	<b>23%</b>	<b>23%</b>	

Compared to 53% of all respondents, only 25% of those who own a second home, long-term empty home or short-term let/self-catering accommodation thought that the letting thresholds for self-catering accommodation for non-domestic rates should be changed, while 39% thought it should not and 35% did not know.

### **Please give reasons for your answer**

Around 555 respondents provided a comment at Question 13.

### **Reasons that letting thresholds should be changed**

While the majority of respondents who favoured changing the current thresholds argued that they should be increased, a minority called for thresholds to be reduced.

#### **Thresholds should increase**

##### **Relieving housing shortages**

The reason cited most frequently was that self-catering accommodation exacerbates housing shortages, with associated negative impacts on local communities and economies.

“Self-catering accommodations are businesses which have a negative impact on the local economy, exacerbating the housing crisis and local housing shortages...”

Individual

In terms of specific impacts on housing supply, issues referenced included:

- increased house prices, sometimes making property unaffordable to local residents
- reduced availability or increased cost of accommodation in the long-term private rented sector

- harm to communities – particularly in rural areas – where some properties are unoccupied for much of the year

### **Increasing payment of local taxes**

Raising the threshold at which self-catering accommodation becomes liable for non-domestic rates was seen as beneficial because it will increase the number of properties liable for payment of Council Tax, thereby contributing more to support the local economy. It was also suggested that there is a risk that leaving current thresholds in place may undermine implementation of a Council Tax premium on second homes.

Local authorities were among respondents who noted the possibility, as set out in the consultation paper, that non-domestic rates relief available via the Small Business Bonus Scheme (SBBS) can mean that owners of properties let as self-catering accommodation pay no local taxes. A system that allows some property owners to avoid local taxes was seen as unfair to other Council Tax payers, including owners of second homes.

There was also a view that self-catering accommodation should be treated either as a business or not and, if the former, it should be available for let for the majority of the year, or for the whole year. Otherwise it should be treated as a domestic residence and liable to pay Council Tax.

### **Encouraging longer occupation**

It was argued that a higher threshold will encourage higher occupancy rates, particularly outside the peak tourist season, bringing benefits to the local economy and avoiding property standing empty. Related points raised included that:

- current thresholds allow property to qualify for the non-domestic rates regime (and hence SBBS relief) while unoccupied for 80% of the year
- at 20% of the year, the actual occupation threshold is low, even allowing for limited tourist seasons and variable demand

### **Equivalence with other thresholds**

A higher non-domestic rates threshold that has been applied in Wales from April 2023 was noted, with a suggestion that a similar standard should be introduced in Scotland, or that emerging evidence on the effectiveness of the change in Wales should be evaluated when considering policy for Scotland.

Another proposal was that levels should be increased to be in line with HMRC's criteria for self-catering businesses.

### **Alternatives to increasing non-domestic rates thresholds**

Rather than increasing non-domestic rates thresholds it was suggested that alternative approaches could be to:

- limit or remove SBBS relief for self-catering accommodation
- apply non-domestic rates only to purpose-built self-catering accommodation

- place all self-catering properties on the Council Tax register

On the last point it was suggested that domestic properties purchased for the short-term let market should remain on or return to Council Tax register such that landlords could factor the charge into their rental levels. Removal of the need to check days available / days let was seen as one advantage of this approach.

### **Thresholds should decrease**

Points raised included that, despite the best efforts of owners, it can be difficult to meet current non-domestic rates threshold for days actually let due to lack of demand. It was argued that targets that are achievable in some parts of Scotland will not be appropriate everywhere, and that a one size fits all approach should be avoided.

Reasons cited included:

- poor weather and a short tourist season, particularly impacting rural areas
- for islands, ferry cancellations damaging visitor numbers
- impacts of both COVID and the cost-of-living crisis in reducing visitor numbers

It was also suggested that thresholds should be reduced to bring more self-catering lets under the non-domestic rates regime, although this tended to be by respondents who favoured removal of all SBBS rates relief for these businesses.

### **Reasons that letting thresholds should not be changed**

The most frequently made point by respondents who did not think that current thresholds should be changed was that the levels are reasonable as they are. It was also suggested that the consultation should:

- better recognise the importance of tourism and tourist accommodation to the Scottish economy
- avoid conflating issues relating to second homes and empty homes with self-catering properties

A Tourism respondent making this latter point contrasted the negative impacts of the first two classes of property with what they saw as the many positive impacts self-catering units can have.

### **Recent regulatory changes**

A number of additional regulatory requirements imposed in recent years were highlighted – for example the introduction of licensing for short-term lets – with an associated argument that these changes have already added to cost and administrative burdens for operators in the tourism sector, some of whom are still struggling to recover from the effects of the COVID pandemic. It was also noted that the current non-domestic rates thresholds, recommended by the independent

Barclay Review of non-domestic rates<sup>13</sup> only came into force in April 2022, with provision of evidence required from 1 April 2023. In this context, it was argued both that it is too soon to consider further changes to non-domestic rates for self-catering accommodation, and that there is insufficient evidence to support such changes.

“The letting thresholds have only just changed. It would be extremely foolhardy to contemplate tinkering ... until they have properly bedded in. I am incredulous that such a thing would even be being considered, given the huge raft of regulatory changes that self-catering is already grappling with...”

Individual (self-identified as self-catering accommodation operator)

It was also reported that, following creation of a New Deal for Business Group by the First Minister earlier in 2023, a subgroup has been tasked with advising on further enhancements to the non-domestic rates system, following the implementation of the final recommendations of the Barclay Review on 1 April 2023. It was suggested that it would not make sense to proceed with introduction of further changes to non-domestic rates independently of this group’s remit.

### **Other reasons for retaining current levels**

Other arguments in favour of the *status quo* included that:

- as cited by respondents seeking a reduction in thresholds, there are many factors beyond an owner’s control that mean a property may struggle to meet current required occupancy levels
- owners also require access to their property for personal use
- a property let for 70 nights per year is clearly being run as business
- the recent changes in Wales will damage self-catering businesses in areas where there is less tourism
- many farm businesses provide self-catering accommodation in farm cottages/houses, generating important income in a sector where energy and other input costs have risen very substantially

It was also argued that there needs to be flexibility where thresholds are missed, and VisitScotland data showing variable occupancy rates for different types of area and property was cited as an illustration that targets will be much more challenging for some properties.

### **Other issues raised**

Tourism respondents were among those who argued that rather than separate ‘actual days let’ and ‘days available’ thresholds there should be a single threshold for ‘days let’ – albeit going on to suggest very different levels at which this threshold should be set. Reasons for proposing a single threshold included that separate

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<sup>13</sup> Available at <https://www.gov.scot/publications/report-barclay-review-non-domestic-rates/documents/>

'actual days let' and 'days available' thresholds are confusing, and that it is not clear how an operator can evidence the availability of their property.

### **Question 14 – If you have answered yes to Question 13, what do you think the threshold for the number of days self-catering accommodation must actually be let for should be?**

Responses to Question 14 by respondent type are set out in Table 16 below.

**Table 16: Responses to Question 14 by respondent type**

	<b>50 days</b>	<b>100 days</b>	<b>140 days</b>	<b>180 days</b>	<b>Other</b>	<b>Totals</b>
<b>Organisations:</b>						
Campaign group or union	-	-	1	1	2	4
Community or Development Trust	1	-	1	3	-	5
Housing	-	-	-	-	-	0
Local authority	-	4	4	4	7	19
Public body or agency	-	-	-	0	2	2
Representative or professional body	-	-	-	1	3	4
Tourism, including accommodation provider	-	-	-	1	4	5
Other	-	-	-	-	-	0
<b>Total organisations</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>10</b>	<b>18</b>	<b>39</b>
<b>% of organisations</b>	<b>3%</b>	<b>10%</b>	<b>15%</b>	<b>26%</b>	<b>46%</b>	
<b>Individuals</b>						
Individuals	60	30	25	96	243	454
<b>% of individuals</b>	<b>13%</b>	<b>7%</b>	<b>6%</b>	<b>21%</b>	<b>54%</b>	
<b>All respondents</b>						
All respondents	61	34	31	106	261	493
<b>% of all respondents</b>	<b>12%</b>	<b>7%</b>	<b>6%</b>	<b>22%</b>	<b>53%</b>	

Percentages may not sum to 100% due to rounding

A small majority of respondents – 53% of those answering the question – did not support any of the suggested thresholds for the number of days self-catering accommodation must actually be let for and selected the 'Other' option.

Of the remaining respondents, 22% supported a 180 day threshold, 12% favoured 50 days, 7% favoured 100 days and 6% favoured 140 days. Support for the 180 days, 140 days and 100 days options was higher among organisations than individuals.

Some of the respondents answering Question 14 had not answered Yes at Question 13.

## Please give reasons for your answer

Around 430 respondents<sup>14</sup> provided a comment at Question 14.

### 50 days actually let

Most of those respondents who selected 50 days had indicated at Question 13 that they favoured a reduction in current thresholds. Reflecting reasons given at Question 13, lack of demand outside the short tourist season, especially in remote rural and island areas, was often seen as a barrier to achieving even 70 days actually let. Other issues raised included the high level of winter heating costs for some properties, particularly if reliant on electricity.

“It's easy to increase the threshold in Edinburgh or Loch Ness, but not in our area, where we struggle to find guests from October to May. Besides the current price of electricity makes it impossible to let our property in the ‘off season’ at a rate that covers our ‘electric only’ property.”

Individual (self-identified as self-catering accommodation operator)

A very different perspective, from a respondent who favoured removing eligibility for SBBS from self-catering units, was that the threshold should be reduced to bring more properties into the non-domestic rates regime.

### 100 days actually let

Arguments made by those chose the 100 day threshold included that this is a modest or reasonable target, including because an operator running a business would be aiming to achieve a higher occupancy level. Scotland’s relatively short tourist season was also referenced, with one Local authority respondent arguing that the season is roughly 200 days, so a property let for 50% of the season should be able to achieve 100 days. It was also suggested that 100 days would effectively be the full summer season, but again that this would not be unreasonable, and that it should be achievable for remote areas and those with limited demand for parts of the year.

Requiring accommodation to be available for a longer period than at present, potentially at a more competitive price, was seen as benefiting the local economy, including by extending the operating period for other seasonal businesses.

### 140 days actually let

Respondents who selected 140 days and went on to comment often gave similar reasons to those who opted for 100 days – including that the number seems reasonable, that 20 weeks would cover a season from May – September, and that making accommodation available over a longer period than at present will benefit local communities. There was also a view that local authorities with high volumes of

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<sup>14</sup> This includes those who commented at either or both of the ‘Other – please specify’ and the ‘Please give reasons for your answer’ options.



second homes that are let as self-catering accommodation would benefit since homes would be let for longer and could help meet local demand, especially in more rural areas where there is a lack of housing for key workers.

It was also suggested that 140 days would bring holiday lets in line with criteria set by HMRC, namely that a property needs to be available for 210 days per year, and actually let for 140 days.

### **180 days actually let**

Among respondents opting for 180 days, one suggestion was that being let for around 50% of the year would be reasonable or achievable, particularly for genuine businesses, and would make a greater contribution to local economy. A further reason was that 180 days would be in line with the thresholds being introduced in Wales, where a property now needs to be available for 252 days and actually let for 182 days in a 12-month period.

However, the most frequent position was that threshold for non-domestic rates should be set such that more self-catering properties pay Council Tax. Respondents again referenced the possibility that, if qualifying for the non-domestic rates regime, self-catering accommodation could also be eligible for 100% rates relief.

“Given that if they meet the threshold for non-domestic rate, they are then available for non-domestic rate relief, this means that too many self-catering owners are evading contribution to local taxes.”

Individual

### **Other ‘actually let’ thresholds suggested**

Around 245 respondents who selected ‘other’ or did not answer the closed question went on to specify what they thought the threshold should be. Amongst these a majority indicated a preference for thresholds above the current 70 days, with 250 (or 250+) days being the most frequent choice, followed by 200 days and then 300 days. A minority selected a threshold of less than 50 days.

### **More than 200 days actually let**

Among respondents who proposed 200, 250, 300 days or more actually let, the most frequent position was again that the threshold for non-domestic rates should be set such that more self-catering properties pay Council Tax, with respondents often citing the availability of SBBS relief as meaning many properties do not pay any local taxes.

It was also suggested that:

- 200 days actually let would demonstrate that the accommodation is functioning as a proper business
- occupancy for around two thirds of the year would be reasonable

- if it is a business, a property should be let for the whole year, or that no time should be reserved for use by the owner
- a threshold of 262 days should be coupled with a reassessment of rateable values and creation of a new planning class for self-catering properties

### **Values between 50 and 200 days actually let (other than 100, 140 and 180)**

One suggestion was that property should be available for 210 days and actually let for 105 days to match HMRC's criteria for a Furnished Holiday Let as demonstrating a business intended for profit. Simplifying the evidencing process for operators was seen as an advantage of this approach.

Other suggestions included that a property should be actually let for:

- at least 70 days, retaining the current threshold
- at least a third of the year – so around 120 days
- 120 - 140 days, and that inability to achieve this level of occupancy may indicate oversupply of accommodation in the area
- the majority of the year – around 185 days

### **Fewer than 50 days actually let**

Respondents who suggested fewer than 50 days sometimes highlighted similar issues around limited demand as those who opted for 50 days. Specific suggestions with respect to lower threshold values included 14, 28 and 48 days. Other views were that there should be no threshold and that all domestic properties should be liable for Council Tax or, alternatively, that any property that is available for let should be taxed as a business.

### **Other approaches**

Suggestions for alternative approaches included introducing a requirement for self-catering properties to be registered for secondary letting with the local authority, and that such a licence could be a trigger for application of non-domestic rates.

### **Question 15 – If you have answered yes to Question 13, what do you think the threshold for the number of days self-catering accommodation must be available to let should be?**

Responses to Question 15 by respondent type are set out in Table 17 below.

**Table 17: Responses to Question 15 by respondent type**

	120 days	160 days	200 days	250 days	Other	Total
Organisations:						
Campaign group or union	-	-	1	1	2	4
Community or Development Trust	1	-	1	3	-	5
Housing	-	-	-	1	-	1
Local authority	-	1	3	6	9	19
Public body or agency	-	-	-	1	2	3
Representative or professional body	-	-	-	1	2	3
Tourism, including accommodation provider	-	-	-	-	3	3
Other	-	-	-	-	-	0
<b>Total organisations</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>13</b>	<b>18</b>	<b>38</b>
<b>% of organisations</b>	<b>3%</b>	<b>3%</b>	<b>13%</b>	<b>34%</b>	<b>47%</b>	
Individuals						
Individuals	42	18	32	123	205	420
<b>% of individuals</b>	<b>10%</b>	<b>4%</b>	<b>8%</b>	<b>29%</b>	<b>49%</b>	
<b>All respondents</b>	<b>43</b>	<b>19</b>	<b>37</b>	<b>136</b>	<b>223</b>	<b>458</b>
<b>% of all respondents</b>	<b>9%</b>	<b>4%</b>	<b>8%</b>	<b>30%</b>	<b>49%</b>	

Percentages may not sum to 100% due to rounding

As at the previous question, the largest proportion of respondents – in this case 49% of those answering the question – did not support any of the suggested thresholds for the number of days self-catering accommodation must be available to let and selected the ‘Other’ option.

Of the remaining respondents, 30% supported a 250-day threshold, 9% favoured 120 days, 8% favoured 200 days and 4% favoured 160 days. Support for the 200 days and 250 days options was higher among organisations than individuals, but support for the 120 days option was lower.

Some of the respondents answering Question 15 had not answered Yes at Question 13.

### **Please give reasons for your answer**

Around 395 respondents<sup>15</sup> provided a comment at Question 15.

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<sup>15</sup> This includes those who commented at either or both of the ‘Other – please specify’ and the ‘Please give reasons for your answer’ options.

## **120 days available to let**

Most of those respondents who thought the threshold for availability should be reduced to 120 days had opted for 50 days actually let at Question 14. Relatively few explained their reasons, but those who did tended to reference issues in relation to limited demand in relation to the short tourist season. At around a third of the year, 120 days was seen as a reasonable period for most areas of Scotland.

Again advocating the same threshold but from a rather different perspective, a respondent who favoured removing of eligibility for SBBS from self-catering units, argued that the threshold should be reduced to 120 days to bring more properties into the non-domestic rates regime.

## **160 days available to let**

Among respondents who explained why they had opted for 160 days available there were references to Scotland's short tourist season, the right of owners to be able to use their property during part of the short summer, and costs associated with keeping a business open even if there are no customers. There was also a view that 160 days is a reasonable figure or that a serious business should be able to achieve such a target.

## **200 days available to let**

The most frequent reason given in support of a threshold of 200 days was that property should be available for at least half of the year. There was also a suggestion that this availability period should cover the main tourism season, to avoid a property being available but rarely let.

It was also suggested that 200 days would be a reasonable threshold and that higher occupancy levels can benefit local communities.

## **250 days available to let**

The most frequent view among respondents who chose 250 days was that the threshold should be set such that more self-catering properties pay Council Tax. Respondents again referenced the possibility that, if qualifying for the non-domestic rates regime, self-catering accommodation could also be eligible for 100% rate relief. It was also noted that 250 days would be broadly in line with the new requirement in Wales.

Other reasons given in support of 250 days included that:

- this would be a reasonable level for classification as commercial rather than domestic premises, or that providing self-catering accommodation should be the main function, so a property should be available for more than half the year
- availability for 250 days demonstrates a genuine business is being run but still leaves time for the owner to use their property and for essential maintenance

- longer availability will support the local economy, increase letting outside the main tourist season and encourage reduced prices

## Other ‘available to let’ thresholds suggested

Around 260 respondents who selected ‘other’ or did not answer the closed question went on to specify what they thought the threshold should be.

Reflecting comments at Question 14, a majority indicated a preference for values above the current threshold, with 300 or more days being the most frequent choice, followed by 365 days and then 250 - 300 days.

### More than 250 days available to let

Reasons for selecting a value of 250 days or more included that this would mean that property is let for around 75% of the year.

Among respondents who proposed values of 300 days up to a full year, the most frequent position was again that the threshold for non-domestic rates should be set such that more properties pay Council Tax. Other comments included that the value chosen self-catering would allow a short period for property maintenance or for personal use by the owner.

### Values between 120 and 250 days available to let (other than 160 and 200)

Only a small number of respondents suggested intermediate values, the most frequent being 210 days to align with HMRC criteria.

Points in favour of a threshold of 180 days included that this equates to around six months – equivalent to a tourist season from April to September/October, while other respondents argued for retaining the existing threshold of 140 days.

### Fewer than 120 days available to let

Reasons given by respondents who suggested fewer than 120 days tended to be similar to those who selected 120 days – including limited demand in some areas, that owners of domestic property should always pay Council Tax, or that any use of the property for self-catering accommodation should render a property liable for non-domestic rates.

## Relative importance of days available and days actually let thresholds

Differing views were expressed on the relative importance of the two non-domestic rates qualifying thresholds, with opinions that:

- actual occupation is more important than availability
- the emphasis should be on availability or that days available and promoted is as important as days actually let
- requirements for both advertising and letting conditions are important, and that unless both criteria are met a property should be subject to Council Tax

## Question 16 – Do you think councils should have discretion to change the self-catering accommodation ‘days actually let’ threshold, for their local area?

Responses to Question 16 are set out in Table 18 below.

**Table 18: Responses to Question 16 by respondent type**

	Yes	No	Don't know	Total
Organisations:				
Campaign group or union	4	1	-	5
Community or Development Trust	6	-	-	6
Housing	1	-	1	2
Local authority	16	7	1	24
Public body or agency	4	-	-	4
Representative or professional body	7	-	-	7
Tourism, including accommodation provider	2	8	-	10
Other	-	-	-	0
<b>Total organisations</b>	<b>40</b>	<b>16</b>	<b>2</b>	<b>58</b>
<b>% of organisations</b>	<b>69%</b>	<b>28%</b>	<b>3%</b>	
Individuals	473	248	115	836
<b>% of individuals</b>	<b>57%</b>	<b>30%</b>	<b>14%</b>	
<b>All respondents</b>	<b>513</b>	<b>264</b>	<b>117</b>	<b>894</b>
<b>% of all respondents</b>	<b>57%</b>	<b>30%</b>	<b>13%</b>	

Percentages may not sum to 100% due to rounding

A small majority of respondents – 57% of those answering the question – thought that councils should have discretion to change the self-catering accommodation ‘days actually let’ threshold for their local area. Of the remaining respondents, 30% thought they should not and 13% did not know.

At 69% of those answering the question, organisations were more likely to support councils having discretion. Tourism organisations were the only group in which a majority were not in favour.

### Please give reasons for your answer

Around 545 respondents provided a comment at Question 16.

### Reasons councils should have discretion to change the ‘days actually let’ threshold

The ability to address local housing issues was the most frequently given reason for supporting councils having discretion to change the threshold for days actually let, with many respondents making an associated point, that this discretion should only

extend to increasing the threshold. One suggestion was for power to increase the threshold within an upper limit.

Another frequently raised issue was the importance of flexibility to suit local circumstances, and it was suggested that the council is best placed to understand these issues.

“This will enable local authorities to adopt a place-based approach that best addresses the needs and circumstances of their communities.”

Public body or agency

The length of the tourist season in different areas and local demand for, and impact of, holiday lets were also referenced as variables best addressed by council discretion in setting the threshold.

Local authority respondents were among those who argued that it will be important to design policy to suit local circumstances. It was suggested that local decision-making should be proportionate, fair and transparent. There was also reference to requiring:

- modelling and impact assessments for the local area
- evidence of the need for change and of the local benefits that will be delivered
- consultation with local communities and enterprises, including providers

There were also calls for council discretion to mitigate impacts outside the control of a property owner, including taking a flexible approach where thresholds are not met. A Representative body respondent making this point argued that if an unexpected event that means the threshold is not met in a single year, it would be reasonable for a council to use discretion rather than disqualifying a self-catering business from business rates.

## **Reasons councils should not have discretion to change ‘days actually let’ threshold**

Respondents who did not agree with council discretion to set the threshold often referenced the importance of consistent, national standards. It was suggested that allowing rules to vary between areas would be confusing or unfair, and could risk creating a postcode lottery. The number of different short-term let licencing regimes now in place was also cited.

“The result would be fragmentation and confusion, where we need certainty.”

Tourism

Specific problems anticipated if thresholds were allowed to diverge included:

- adverse comparisons being made between councils and risk of disputes between owners and councils
- both potential confusion and additional overheads for operators, some of whom may operate across boundaries

- risks that individual businesses will be put at a competitive disadvantage or that businesses will close in areas where it is not possible to meet a higher threshold

Among the respondents making these points were the two Local authorities that the consultation paper reports to have the highest numbers of self-catering properties. One suggestion was that authorities should instead use discretionary powers to act in exceptional circumstances and that provision for this exists Council Tax regulations.

Other points raised in favour of a single, nationally set threshold for actual days let included that:

- both non-domestic rates and eligibility for the SBBS are set nationally, and that a business is a business irrespective of where it is
- there is a risk individual councils could use their discretion to change the threshold as a way to raise revenue
- there is a risk councils could succumb to influence by lobbying from owners or businesses who do not want to see thresholds increased

**Question 17 – If you answered yes to Question 16 do you think that councils should have discretion to:**

- Increase the number of days actually let only
- Decrease the number of days actually let only
- Increase or decrease the number of days actually let

If you think councils should have discretion to do something else, please specify

Responses to Question 17 are set out in Table 19 below.



**Table 19: Responses to Question 17 by respondent type**

	Increase	Decrease	Increase or decrease	Total
Organisations:				
Campaign group or union	1	-	3	4
Community or Development Trust	3	1	2	6
Housing	1	-		1
Local authority	1	1	14	16
Public body or agency	1	-	3	4
Representative or professional body	1	-	5	6
Tourism, including accommodation provider	-	-	2	2
Other	-	-	-	0
<b>Total organisations</b>	<b>8</b>	<b>2</b>	<b>29</b>	<b>39</b>
<b>% of organisations</b>	<b>21%</b>	<b>5%</b>	<b>74%</b>	
Individuals				
	242	57	188	487
<b>% of individuals</b>	<b>50%</b>	<b>12%</b>	<b>39%</b>	
<b>All respondents</b>	<b>250</b>	<b>59</b>	<b>217</b>	<b>526</b>
<b>% of all respondents</b>	<b>48%</b>	<b>11%</b>	<b>41%</b>	

Percentages may not sum to 100% due to rounding

Respondents were relatively evenly divided between those who thought that councils should only have the discretion to increase the number of days actually let – 48% of those answering the question – and those who thought they should have the discretion to increase or decrease the number of days – 41% of those answering the question. Only 11% of those answering the question thought they should only have discretion to decrease the number of days.

The proportion of organisations supporting councils having discretion to both increase and decrease the number of days was higher than for individuals, at 74% of those answering the question.

Some of the respondents answering Question 17 had not answered Yes at Question 16.

### **Please give reasons for your answer**

Around 320 respondents<sup>16</sup> provided a comment at Question 17.

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<sup>16</sup> This includes those who commented at either or both of the ‘something else – please specify’ and the ‘Please give reasons for your answer’ options.

## **Increase the number of days actually let only**

Among Individual respondents favouring discretion solely to increase the number of days actually let, a majority who commented referenced housing shortages, with the most frequent comment again that councils should be able to increase the threshold higher than the national average to address local housing issues.

Among organisations, the single local authority respondent selecting this option noted the capacity to increase the threshold within set limits would allow generation of additional income to support the local services that accommodation businesses rely on.

## **Decrease the number of days actually let only**

Respondents who supported discretion to decrease the number of days often referenced factors that mean accommodation providers may find it difficult to let their property for the required number of days. Very much reflecting answers to previous questions, the short letting season in some parts of Scotland, disruption to ferry services impacting visitors to island communities, COVID and the cost-of-living crisis, were all referenced as reasons that the council should only reduce the threshold for days actually let. Reducing the threshold was also suggested as a way for a council to encourage letting and boost the local economy during short busy periods.

## **Increase or decrease the number of days actually let**

Reasons given for selecting this option included that councils are best placed to set a threshold based on differing local circumstances such as the varying length of tourism seasons across Scotland, varying numbers of tourists and varying extent of local housing pressures. It was argued that there should not be a one size fits all approach.

It was also suggested that:

- local authorities should be given maximum flexibility to take a place-based approach and that options to increase or decrease the threshold would provide tools to fine tune local policy
- local policy requirements may vary over time
- freedom to change thresholds should be within a defined range rather than being uncapped
- discretion should also be exercised with respect to individual property owners who have not been able to meet the threshold

A rather different perspective was that local autonomy requires councils to be allowed to make decisions that affect their area.

## **Discretion to do something else**

The most frequent suggestion was again that councils should have discretion to raise the threshold above the national average in order to address local housing

issues, although an option for discretion to increase the threshold for days actually let only was given at this question. Other proposals, although each raised only by a very small number of respondents at this question included council discretion to:

- change the threshold for the number of days available to let
- recommend a reduction in days actually let, but with the final decision made by a higher authority
- amend the SBBS criteria relating to self-catering accommodation
- consider the suitability of a property as a main residence, including any planning restrictions that would limit its use as such
- base charges on the income derived from the property rather than on level of usage

### **Question 18 – Do you have any other comments on the non-domestic rates system in respect of self-catering accommodation? Please provide your views.**

Around 375 respondents answered Question 18 although many points have already been referenced in responses to earlier questions.

#### **Eligibility for SBBS rates relief**

The most frequently made point was that self-catering businesses should not be eligible for SBBS business rates relief, with an associated suggestion that such properties should be revalued and placed in a separate planning use class. One suggestion was that excluding properties from SBBS rates relief could be achieved either through a change to legislation or by allowing local authority discretion on the matter.

Respondents also argued that SBBS rates relief should be reviewed or should be less generous than at present. Suggestions included that:

- a maximum of 25% rates relief could be allowed
- only purpose-built holiday accommodation should be eligible for SBBS relief
- rates relief could be awarded to smaller businesses where there is greater scope for a positive impact on local employment

It was also suggested that criteria for a property to be considered to be a self-catering unit should be rigorous in light of the relief available and there was a concern that the financial benefits of being in receipt of SBBS relief compared to a requirement to pay a Council Tax premium on a second home could lead to abuse of the system.

#### **Who should pay non-domestic rates**

There was a view that a simple solution would be for all domestic properties, including those run as self-catering businesses, to be liable for Council Tax. Alternative proposals included that:

- all short-term let operators should pay non-domestic rates
- only purpose-built holiday accommodation should be on non-domestic rates
- self-catering properties with rateable values below the SBBS threshold could be deemed to be liable for Council Tax and those above the threshold could be liable to non-domestic rates
- non-domestic rates could be charged on a sliding scale based on turnover
- a minimum tax liability could be used to address the interaction between Council Tax and non-domestic rates such that a property classed as self-catering accommodation for the purposes of non-domestic rates would be liable for a minimum tax equivalent to the total Council Tax liability (including premiums) to which they would otherwise be subject
- consideration could be given to whether short-term let licensing might be used to close any second home/self-catering loopholes without changing the non-domestic rates regime for genuine businesses

There were also references to the New Deal for Business, including that:

- non-domestic rates are being considered as part of the New Deal for Business and that this should look to enhance the way non-domestic rates are applied, including to self-catering, to best support business outcomes
- businesses must be adequately consulted when regulatory changes which have the potential to have a significant impact on their operation are being considered

### **Other charges that are paid by operators**

A small number of respondents who identified themselves as operators of self-catering accommodation sought to counter an impression that they avoid paying any charges, for example noting costs associated with commercial waste collection and water charges, which one respondent reported to be around two thirds of standard Council Tax. Costs associated with the new short-term lets licencing regime were also highlighted in addition to routine expenses associated with servicing and maintaining a property. Any idea that all second home owners are wealthy was also disputed.

### **Impact of new rateable values**

It was suggested that the 2023 revaluation has seen an average increase of 50% in rateable values<sup>17</sup> at the same time as the threshold value for SBBS 100% relief has been reduced from £15,000 to £12,000. One respondent reported their own experience of a rateable value rise in excess of 50% and others expressed a view that, in light of recent increases in rateable value, loss of rates relief could mean they no longer make any profit.

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<sup>17</sup> It should be noted that the suggested figure of 50% is not supported by Scottish Government statistics on the 2023 revaluation (published on 5 July) which are available in the supplementary tables at <https://www.gov.scot/publications/revaluation-2023-official-statistics/>.

However, an alternative view was that, despite revaluations, rateable values for some self-catering properties remain low, when considered in the light of publicly available nightly rental charges.

## Potential impacts on tourism

Respondents highlighted the importance of the self-catering sector to tourism in Scotland, or voiced concerns that tourism could be adversely impacted. It was argued that local authorities should consider whether changes to non-domestic rates thresholds would impact on their ability to achieve strategic, place-based objectives that relate to tourism.

One respondent argued that although the partial Business Regulatory Impact Assessment (BRIA) highlights changes in Wales as a reason for Government intervention, it would be a mistake to follow the same course. Further comments in support of this view included that:

- Scotland cannot reasonably be compared to Wales as the two countries and their respective visitor markets are very different
- recently increased non-domestic rates thresholds for self-catering accommodation in Wales are already having negative impacts, with a significant number of businesses expected to struggle to meet new levels required to qualify for non-domestic rates.

## Practical issues for Councils and Assessors

One Local authority respondent noted their view that the definition of self-catering accommodation for Council Tax purposes is at odds with the Civic Government (Scotland) Act 1982, (Licensing of Short Term Lets) Order 2022<sup>18</sup> which states that standard conditions determined in respect of a short-term let licence must not impose a limit on the number of nights for which premises may be used for secondary letting. This was seen as removing the power for a local authority to restrict the usage of any holiday accommodation that has a short-term let licence.

Administrative issues arising from retrospective evidencing of actual days let were also reported, with a suggestion that, for Assessors, the process could be streamlined by setting a legislative timescale for the supply of information and setting out the consequences if information is not returned.

It was also suggested that inconsistencies in the way subjects are entered on the Valuation Roll should be standardised – either as a single entry for each subject located on a site owned by a business, or by the business being an individual entry.

## Behaviours of second home owners

At Questions 19 and 20 second home owners (and potential owners) were asked what they would do in two different scenarios: (i) that both applicable Council Tax

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<sup>18</sup> Available at <https://www.legislation.gov.uk/sdsi/2022/9780111052396/contents>

rates and non-domestic rates thresholds increased; or (ii) that Council Tax rates stayed as they are (with no premium charged) but non-domestic rates thresholds increased. A third potential scenario, where Council Tax premiums are charged but non-domestic rates thresholds are unchanged was covered at Question 6.

**Question 19 – If you do, or were to, own a second home please tell us what you would do in the event that the applicable rate of council tax and non-domestic rate thresholds both increased?**

Responses to Question 19 by respondent type are set out in Table 20 below.

**Table 20: Responses to Question 19 by respondent type**

Option	Number of respondents	% of all respondents
A: The home is already used as a private residential tenancy	36	6%
B: I would continue to use it purely for personal use and pay the higher rate of council tax	74	12%
C: I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax	30	5%
D: My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use. Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds	28	4%
E: My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. Rather than revert to paying council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds	26	4%
F: My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation and let it for the number of days I needed to in order to be liable for non-domestic rates	39	6%
G: I use my second home purely for personal use but I would change its use to a private residential tenancy	27	4%
H: I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy	8	1%
I: I would seek reclassification as an empty home and pay council tax	15	2%
J: I would sell the second home	197	32%
K: Something else	145	23%
<b>TOTAL</b>	<b>625</b>	

Percentages may not sum to 100% due to rounding.

The most frequent answer – given by 32% of those answering the question – was that respondents would sell their second home if the applicable rate of Council Tax and non-domestic rates thresholds both increased. A further 12% said they would continue to use it purely for personal use and pay the higher rate of Council Tax.

‘Something else’ was selected by 23% of those answering the question.

## **Please give reasons for your answer**

Around 325 respondents<sup>19</sup> provided a comment at Question 19.

### **A: The home is already used as a private residential tenancy**

Respondents who selected this option made only very limited additional comments.

### **B: I would continue to use it purely for personal use and pay the higher rate of council tax**

Although choosing this option, some respondents indicated that they could not afford to pay a premium rate of Council Tax, thought the policy very unfair, or intended to challenge it.

Respondents also explained reasons that they would keep the property entirely for personal use, including because of their own very regular use, a requirement for the owner to act as a carer, supporting work between different locations, or that it has been adapted for use by a disabled family member.

It was also reported that some properties would not be suitable for short-term let use.

### **C: I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax**

Respondents who selected this option made only very limited additional comments.

### **D: My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use. Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds**

Comments with respect to this option were limited, but included that meeting a threshold with respect to days actually let may be beyond the owner’s control.

### **E: My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. Rather than revert to paying council tax, I would increase the number of days**

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<sup>19</sup> This includes those who commented at either or both of the ‘something else – please specify’ and the ‘Please give reasons for your answer’ options.



**the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds**

Among respondents who indicated that they would seek to meet higher non-domestic rates thresholds, a small number indicated that their property is already run as a full-time self-catering business, available all year round. While one respondent reported that they would already meet higher non-domestic rates thresholds others noted that their ability to do so would depend on what thresholds are set, or that meeting a threshold with respect to days actually let may be beyond the owner's control. Existing costs and regulatory requirements facing operators were also highlighted.

**F: My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation and let it for the number of days I needed to in order to be liable for non-domestic rates**

Some respondents who chose this option indicated that they would do so to minimise the impact of additional Council Tax payments. Others noted that it would require them to reduce their personal use.

**G: I use my second home purely for personal use but I would change its use to a private residential tenancy**

Respondents who selected this option made only very limited additional comments.

**H: I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy**

Only a small number of respondents indicated an intention to change self-catering accommodation into a PRT and none made substantive comments.

**I: I would seek reclassification as an empty home and pay council tax**

Few respondents who selected this option commented further. One who did noted that their self-catering business already makes very limited profits and that increased non-domestic rates thresholds would mean closing the business and seeking reclassification as an empty home until it could be sold.

**J: I would sell the second home**

As noted above, selling the second home was much the most frequently chosen option at Question 19. However, as at Question 6, some respondents indicated that they do not own, would not own or do not agree with ownership of second homes.

Otherwise, the most frequent comment was that the respondent would be unable to afford to pay a Council Tax premium. Other reasons included that the owner does not wish to run a business or that letting would stop personal use for which the property was acquired.



## **K: Something else**

The analysis below also includes points made by respondents who did not answer the closed question but went on to make a comment.

As noted above, 'something else' was the most frequent choice at Question 19, although some respondents gave responses that did correspond to one of the options given in the consultation paper. Also as at other options, some respondents indicated that they do not own, would not own or do not agree with ownership of second homes.

Otherwise, the most frequent answer was that respondents simply do not yet know what they would do, with some taking the view that this would depend on the rates that are set. Other actions that smaller numbers of respondents indicated that they could take included:

- putting ownership of the second home in the name of another family member
- making the second home their main residence
- refusing to pay a Council Tax premium and seeking to challenge the policy

One Local authority respondent reported feedback from their own Council Tax payers, suggesting that all of the options listed in the consultation paper could apply depending on individual circumstances.

Responses to Question 20 by respondent type are set out in Table 21 below.

### **Question 20 – If you do, or were to, own a second home please tell us what you would do in the event that:**

- a) council tax powers remained as they are for second homes (i.e. no provision for councils to charge a premium), but
- b) the 'thresholds' to be classed as self-catering holiday accommodation for non-domestic rates purposes increased?

**Table 21: Responses to Question 20 by respondent type**

Option	Number of respondents	% of all respondents
A: The home is already used as a private residential tenancy	41	7%
B: I would continue to use it purely for personal use and pay council tax	251	40%
C: I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax	51	8%
D: My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. I would increase the number of days the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds	49	8%
E: I use my second home as self-catering accommodation (above the current non domestic rates threshold). If I was not able to meet the new thresholds, I would change its use to a private residential tenancy	24	4%
F: I would seek reclassification as an empty home and pay council tax	13	2%
G: I would sell the second home	111	18%
H: Something else	83	13%
<b>TOTAL</b>	<b>623</b>	

Percentages may not sum to 100% due to rounding.

The most frequent answer – given by 40% of those answering the question – was that, if there was no provision for councils to charge a premium for second homes but the thresholds for non-domestic rates is increased, they would continue to use their home purely for personal use and pay Council Tax. However, 18% of those answering said they would sell their second home.

Option H – ‘something else’ was selected by 13% of those answering the question.

### **Please give reasons for your answer**

Around 225 respondents<sup>20</sup> provided a comment at Question 20.

#### **A: The home is already used as a private residential tenancy**

Respondents who selected this option made only very limited additional comments.

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<sup>20</sup> This includes those who commented at either or both of the ‘something else – please specify’ and the ‘Please give reasons for your answer’ options.

### **B: I would continue to use it purely for personal use and pay council tax**

Some respondents who indicated that they would continue to use their property entirely for personal use noted that they are happy to pay standard Council Tax. Others observed that:

- they do not want to be landlords or make money out of their second home
- the change in non-domestic rates has no impact for them
- raising non-domestic rates thresholds would not incentivise letting

It was also argued that this approach retains the conditions that informed the decision to buy a second home. One respondent noted that if they had known that a Council Tax surcharge was being considered they might not have purchased the property.

### **C: I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax**

Among respondents choosing this option, the most frequent comment concerned the difficulties of meeting the non-domestic rates threshold for days actually let, for reasons discussed previously.

### **D: My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. I would increase the number of days the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds**

A small number of respondents who indicated that they would seek to meet higher non-domestic rates thresholds noted that they already make their self-catering properties available to let for 365 days a year, so this aspect cannot be increased. It was also suggested that it is not possible to guarantee the number of days actually let.

An additional point was that increased occupancy is not necessarily a pleasant prospect for neighbours of self-catering properties who are likely to experience further disturbance.

### **E: I use my second home as self-catering accommodation (above the current non domestic rates threshold). If I was not able to meet the new thresholds, I would change its use to a private residential tenancy**

Respondents who selected this option made only very limited additional comments.

### **F: I would seek reclassification as an empty home and pay council tax**

The respondents who selected this option made no additional comments.

### **G: I would sell the second home**

As at earlier questions, the most frequent comment made by those who said they would sell the second home was that the respondent does not own, would not own or does not agree with ownership of second homes. Few other points were raised.

## **H: Something else**

The most frequent comment was again that the respondent does not and would not own a second home, or does not agree with ownership of second homes. Other respondents noted that they did not know what they would do, or that their decision would depend on either personal circumstances or the rates set.

A small number of respondents made points specifically on the future viability of self-catering accommodation, with comments including a view that current non-domestic rates thresholds are unachievable or barely achievable in some areas, where higher levels would probably be impossible to meet. One respondent observed that, although above the current non-domestic rates threshold, if unable to achieve higher thresholds they would probably sell rather than getting involved with the regulations around PRTs. Another suggested that they would close the business and make the property their main residence.

A small number of respondents noted that their property is already operated wholly as self-catering accommodation with high levels of occupancy such that they would expect to meet new thresholds. However, one expressed concerns regarding the viability of the business if SBBS relief were to be discontinued.

As at Question 19, one Local authority respondent reported feedback from their own tax payers and the actions they had indicated they would take.

## 5: Impact assessment

The consultation paper notes that the Scottish Government has prepared a partial BRIA, a partial Island Communities Impact Assessment and has undertaken initial work to consider other impacts. Views and comments to help expand on these assessments were sought.

### **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.**

Around 640 respondents answered Question 21, albeit these included respondents reiterating comments at earlier questions around proposed changes to Council Tax and non-domestic rates.

There was also comment on the need for clarity, including through the definition of key terms or criteria, or suggested that further detail on the proposals is required before they can really assess how businesses might be affected.

### **Complexity**

It was suggested that the potential impact on businesses is a complex issue that is difficult to predict. It was noted that a large number of variables may be in play, including wider economic trends such as access to labour, changing labour costs, interest rate rises and price inflation. There was also reference to other policy changes that may have an impact on businesses; Short-term let regulations, the Visitor Levy and other possible changes to the Council Tax regime were amongst the policy areas highlighted.

There were calls for a careful assessment of the proposals to identify specific impacts, including the potential for cumulative impacts as a result of multiple policy changes. A need for ongoing monitoring to assess delivery against objectives and identify any unintended consequences was also highlighted.

Whilst the complexity of the wider economic and policy environment was acknowledged, respondents also noted that business decisions can also be both personal and/or highly localised. For example, personal circumstances were seen as likely to have a bearing on whether owners choose to sell, let or renovate, and the local housing market will influence whether local residents are able to buy.

### **Overall impact**

#### **Potential negative impacts for businesses**

Many of those commenting identified possible negative impacts on businesses, including direct impacts on accommodation providers and tourism-focused businesses.

For accommodation providers, there were concerns that proposals could reduce the supply of holiday lets, including through the closure of some self-catering businesses. In particular, it was suggested that the proposed changes to non-domestic rates could lead to a substantial number of holiday accommodation providers choosing to sell and/or stop renting their property. It was reported that this could include farmers and other landowners who have diversified into holiday let accommodation, and that the closure of this accommodation could have wider implications for the viability of their business.

Respondents also pointed to potential negative impacts on the wider tourism industry, primarily related to concerns that a fall in supply of holiday lets would lead to lower visitor numbers and/or that higher accommodation charges could limit the spending power of the remaining visitors. From a tourism and hospitality industry perspective, it was also suggested that if properties are bought for second homes, for long-term rental accommodation, or remain empty for a prolonged period, they will bring less value to other local businesses than when operating as self-catering accommodation.

Other concerns relating to a reduction in the supply of self-catering accommodation included that employment could be lost; it was noted that this could be a significant issue in areas that are particularly reliant on tourism but where, ironically, an increase in permanent housing supply is not required. There were references to cleaning and maintenance businesses and ferry services, but most frequently to the hospitality sector. There was a view that these risks could lead to business closures.

Concerns around businesses struggling, and potentially having to close, were also linked to the second homes-related proposals. For example, that second home owners may spend less within the local economy as a result of higher premiums, and/or that some higher income second home owners may choose to relocate their second home to England and Wales.

In addition to potential for localised business impacts, it was also suggested that changes could also have negative impacts at a national level. For example, there was concern that proposals could make Scotland less competitive as a tourism destination, and less attractive for inward investment.

Respondents also raised concerns that the proposals may not deliver the intended positive impacts in some parts of Scotland. It was suggested that they will not lead to an increase in the supply of affordable housing and there was scepticism about the likelihood of a substantial number of empty homes being brought back into use. It was also suggested that they could actually lead to a reduction in Council Tax receipts in some areas.

### **Potential positive impacts for businesses**

An alternative perspective was that the proposals could have a positive impact on the self-catering accommodation sector, for example if more second-home owners are encouraged to make their properties available for short-term let. Some also suggested that the non-domestic rates proposals could benefit 'traditional' bed and

breakfast and hotel accommodation if there were to be a reduction in the overall supply of holiday lets.

However, most of the positive business impacts identified by respondents referred to wider economic and housing market considerations. These included:

- increased visitor numbers, and by extension local spend, if changes to non-domestic rates thresholds lead to properties being let for more weeks in the year
- the knock-on effects for local businesses if the proposals lead to more empty homes being brought back into use
- lack of housing supply as a barrier to recruitment and economic growth, and the potential for more permanent housing to help address this

Finally, there was reference to the potential for proposals to improve funding for local council services. While most of these respondents highlighted improved council services as a benefit in itself, it was also noted that any increase in council spending to improve local amenities and infrastructure would benefit both residents and businesses.

### **Limited impact**

Although most of those commenting referred to either potential positive or negative business impacts associated with proposed changes, it was also suggested that changes could have little or no impact for businesses in some areas; respondents cited evidence of the limited number of short-term lets, second homes and/or long-term empty homes in their area or noted that relatively few businesses in their area are primarily tourism focused.

It was suggested that businesses will be able to adapt, for example with accommodation owners being able to pass on additional costs through higher rental charges where demand permits. It was also suggested that property owners are likely to have the means to absorb additional costs.

### **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).**

Around 750 respondents answered Question 22, although as at the previous question, this included comments focused on issues already covered at earlier questions. There were also more far-reaching comments, beyond the scope of the current proposals, related to wider reforms of the Council Tax and non-domestic rates regimes.

Respondents also highlighted other policy areas where they would like to see further change to better support the sustainability of local communities and



economies affected by growth in second homes and holiday lets. This included reference to planning reform and priorities set out in Scotland's Population Strategy.

## **Complexity**

Comments reflected points made at Question 21, including suggestions that the likely impacts of the proposals are very difficult to predict. It was noted that those impacts could vary across a range of economic sectors and communities, and hence an assessment of overall impact is very challenging.

There was also a view that the likely mix of positive and negative impacts means that care will be needed to balance the needs of local businesses, home owners and the wider community. This included reference to the importance of enabling a localised, place-based approach, with local authorities able to take account of the specific needs and circumstances across their area.

## **Overall impact**

A frequently made point was that the potential impact of the proposals will be driven to a great extent by how any funds raised are used. As at earlier questions, respondents wished to see any additional monies ringfenced to deliver benefits to local communities, most commonly the supply of affordable housing and further support to bring empty homes back into the local housing stock.

## **Potential negative impacts**

In terms of particular types of impact, many of those commenting identified potential negative economic impacts. Concerns often reflected those voiced in relation to businesses at the previous question, for example around stifling growth in the supply of self-catering accommodation, reducing visitor numbers, and reduced spending by second home owners. It was also noted that reduced visitor numbers could have a significant adverse impact on a wide range of tourism and hospitality businesses, with potential to affect a significant source of employment in some parts of Scotland. It was felt that any additional housing supply resulting from proposed changes may be of little benefit if there is a loss of tourism-related employment.

In relation to local communities, the impact on housing supply was highlighted again, with concerns that the proposals will not lead to an increase in supply that is affordable for locals. There were also queries about whether the homes that are made available to the market (either for purchase or rent) would necessarily meet the needs of those looking for permanent housing. Other concerns included that higher Council Tax premiums could lead to further deterioration in empty homes, for example if resources that might otherwise have been used to fund renovation or repairs are diverted. Overall, the importance of a localised approach was highlighted, including that local authorities must be able to use their discretion to avoid negative impacts on their local housing system.

Also connected to local communities were concerns that:

- if the proposals led to a reduction in Council Tax receipts, for example if second home owners are able to reduce costs by reclassifying their property, funding for local services could be affected
- more second home owners using their properties for short-term let could lead to significant changes in the population mix in some communities
- rural and island areas that are reliant on the visitor economy could be significantly impacted by any reduction in visitor numbers, with the potential to worsen rural poverty and undermine the sustainability of local communities

Relatively few respondents referred to specific negative environmental impacts, although there was reference to the potential for adverse impacts on local housing quality if owners have more limited funds to renovate or maintain their properties; it was noted that this would have a negative impact on the energy efficiency of homes, and on local visual impact. It was also suggested that a reduction in visitor numbers could discourage investment in local blue/green infrastructure.

Potential negative cultural impacts were also referenced by relatively few respondents. However, these respondents expressed some significant concerns around the potential for the changes to undermine the viability of cultural amenities and events that can be significant income sources for communities. This was highlighted with reference to the extent to which tourism activity and second home owners make a significant contribution to the sustainability of these amenities and events. Similar concerns were highlighted by those who felt that proposed changes could worsen issues of depopulation in rural communities.

## **Potential positive impacts**

Positive impacts highlighted by respondents were primarily related to the local economy, housing and the community.

Housing-related comments focused on more second homes or empty properties coming onto the market, and potential for additional Council Tax income to support increased affordable housing supply. Some highlighted that lack of affordable supply is a significant issue affecting the sustainability of many communities across Scotland. It was noted that increased housing supply could help to:

- address recruitment difficulties in communities where housing shortages have limited access to labour
- support the recruitment of key workers in particular, especially in rural and island communities.
- address de-population, including by supporting a more balanced age profile in rural communities.

It was also suggested that encouraging the renovation of empty homes would have a positive impact on the appearance and quality of local neighbourhoods. Other potential community benefits included improved sustainability of local amenities and services if the proposals result in increased Council Tax receipts.

In terms of positive environmental impacts, there was reference to better use of existing housing stock reducing the need for new housing development (and associated negative environmental impacts). Respondents also suggested that carbon impacts may be reduced if more homes are used as permanent residences, and residents are able to live closer to their work and family.

The potential for more year-round use of housing stock and more sustainable communities were also highlighted as supporting cultural amenities and events.

## Limited impact

As in relation to business impacts, most of those commenting referred to either positive or negative impacts for their local area or for Scotland as a whole. However, it was suggested that proposed changes may have little or no direct impact either in their local area or in relation to the policy areas listed at Question 22 (social, economic, environment, community, cultural, enterprise). Reasons given included that the limited number of second homes, long-term empty homes and holiday lets will limit the impact of proposals in their local area. It was also suggested that the potential impact of changes will depend in part on the number of owners who simply choose to continue to pay higher Council Tax premiums.

## Question 23 – Please tell us how you think the changes identified might affect island communities.

Around 615 respondents provided a comment at Question 23, with a frequently made point being that it will be important for island authorities and communities to determine how proposals are applied.

While there was a view that island communities are likely to experience a similar range of impacts as are expected across other parts of Scotland, most of those commenting thought that islands are likely to be disproportionately affected – positively or negatively. This was linked to suggestions that second and empty homes account for a significantly larger proportion of the housing stock, and that short-term lets make a very significant economic contribution for some islands.

## Specific impacts identified for island communities

Respondents highlighted the extent to which the issues of housing, the economy and community are closely interconnected for Scotland's islands. However, as is outlined below, views were very much divided on the likely balance between positive and negative impacts across these themes.

### Housing

In terms of housing impacts for island communities, respondents were primarily focused on the potential for more second homes being made available for sale, and more empty homes being brought back into use. It was noted that these outcomes, if they increase supply of permanent accommodation, are consistent with the need to address depopulation and the sustainability of communities and economies across some of Scotland's islands. Specifically, it was suggested that:

- increased supply could help curb house price inflation
- additional Council Tax income could be used to deliver additional affordable supply, including through the provision of funding to help with renovating empty homes

However, it was also suggested that the extent of any positive housing impacts is likely to vary across island communities. In particular, the proposals were seen as unlikely to benefit communities where there is no significant housing shortage, or there is a lack of housing demand. It was also suggested that any positive impact will depend on how well additional housing supply matches local housing need.

There was also a view that the anticipated positive housing impacts are unlikely to be realised across many island communities. There was reference to some of the issues noted above, such as lack of housing demand and a potential mismatch between supply and need, but also concerns that any empty or second homes becoming available to buy may be unaffordable for local residents. It was suggested that this may result in homes only being available to wealthy households. Equally, it was also noted that owners may simply choose to retain their second home or leave their property empty, including because of local market conditions.

### **Local economy**

Views were mixed on whether the proposed changes would be likely to have a positive or negative impact on island economies, with some expecting it to vary considerably across islands. As at other questions, respondents noted that a localised approach will be required to support economic activity, and by extension sustainable communities.

Expected positive economic impacts were primarily linked to the potential for improved access to housing for workers. A shortage of affordable housing was identified as a key barrier to recruitment for some island economies, and depopulation was also highlighted as limiting economic growth for some islands. It was suggested that an increase in housing supply could help to retain the local labour force and make islands more attractive to workers moving from the mainland or further afield.

However, there were also concerns about the loss of investment from second home buyers, linked to a view that this investment has been crucial in bringing empty or derelict homes back into use across many island communities. It was also suggested that loss of this investment could have an adverse impact on tourism activity if the appearance and amenity of communities are affected.

There were also more general concerns that a decline in the visitor economy, as a result of a loss of holiday accommodation and increased accommodation costs, could have a very significant, if not devastating, impact on some island communities. This was linked to loss of employment in particular. In terms of why island communities might be particularly affected, especially by any higher

occupancy threshold for short-term lets, it was reported that the tourist season can be shorter on many islands.

### **Local communities**

Most of those commenting on community impacts anticipated that the proposals would be likely to have positive impacts. This was primarily associated with a reduction in second homes and short-term lets resulting in more year-round occupancy. It was suggested that this would support the sustainability of island communities, and again there was reference to limiting rural depopulation. However, it was also acknowledged that some second homes have been passed down the generations, with the current owners retaining a strong connection to, and actively supporting, the local community.

Nevertheless, retaining or building the permanent population was seen as crucial to helping to sustain key local services, such as schools, healthcare and community facilities. There was also reference to positive cultural impacts, for example through support for local cultural amenities and events, and to the potential to support Gaelic. On this latter point, there were calls for a more detailed assessment of how the proposals could impact on Gaelic use.

Although it was thought that the proposals could have a positive impact on local communities, there were also concerns that they could have the opposite effect and could affectively undermine the sustainability of those communities. This linked back to concerns about the local economy if a substantial proportion of holiday accommodation is lost.

### **Approach to implementation of changes for islands**

As noted earlier, respondents highlighted the importance of enabling a localised approach to implementation. In terms of the local needs and circumstances that may be relevant to implementation of changes across islands, these included the role of the visitor economy, local housing supply, and the sustainability of communities. It was also suggested that island authorities might benefit from an understanding of the different reasons for short-term lets and second home ownership, for example for work or access to education, and as additional income for island residents. As at Question 5 in relation to Council Tax premiums, there was reference to the importance of an evidence-based approach and to ensuring that local communities are involved in any decisions.

Linked to calls for a localised approach, respondents wished to ensure that additional funds raised through proposals are retained to benefit island communities. There was specific reference to using funds to support bringing empty homes back into use, to provide advice to owners on compliance with current building standards, for support with potential barriers to becoming a private landlord, and to promote options to sell at locally affordable levels. It was also suggested that additional funding may be required for island authorities where they have chosen to limit the application of changes, and thus to reduce any additional income, in order to support the sustainability of local communities and economies.

Modelling and ongoing assessment of impact was also seen as essential to better understand how proposals are affecting Scotland's diverse island communities. This was highlighted specifically in relation to monitoring of housing impacts, and the balance between economic and community impacts.

## Question 24 – Do you think there are any equality, human rights, or wellbeing impacts in relation to the changes set out in the consultation?

Responses to Question 24 are set out in Table 22 below.

**Table 22: Responses to Question 24 by respondent type**

	Yes	No	Don't know	Total
<b>Organisations:</b>				
Campaign group or union	3	-	-	3
Community or Development Trust	3	1	1	5
Housing	1	1	-	2
Local authority	14	7	4	25
Public body or agency	4	-	-	4
Representative or professional body	1	1	-	2
Tourism, including accommodation provider	4	-	5	9
Other	-	-	1	1
<b>Total organisations</b>	<b>30</b>	<b>10</b>	<b>11</b>	<b>51</b>
<b>% of organisations</b>	<b>59%</b>	<b>20%</b>	<b>22%</b>	
<b>Individuals</b>				
	382	154	187	723
<b>% of individuals</b>	<b>53%</b>	<b>21%</b>	<b>26%</b>	
<b>All respondents</b>				
	<b>412</b>	<b>164</b>	<b>198</b>	<b>774</b>
<b>% of all respondents</b>	<b>53%</b>	<b>21%</b>	<b>26%</b>	

Percentages may not sum to 100% due to rounding

A small majority of respondents – 53% of those answering the question – thought there are equality, human rights, or wellbeing impacts in relation to the changes set out in the consultation. Of the remaining respondents, 21% did not think there would be impacts and 26% did not know.

### Please give reasons for your answer

Around 470 respondents provided a comment at Question 24.

This included respondents of the view that the proposed changes should not have any equality, human rights, or wellbeing impacts. Their further comments included that the proposals will apply equally to all population and community groups, and thus will not have a particular impact on people with protected characteristics.

However, there was also reference to the importance of exemptions and enabling local authorities to use discretion in their application of proposed changes; this was seen as a way of helping ensure that those with protected characteristics are not disadvantaged.

Respondents answering 'no' at Question 24 included those who expected any equality impacts to be positive, for example by further supporting the right to adequate housing. While it was suggested that proposals are likely to have some negative impact on owners of second or empty homes and self-catering accommodation providers, these respondents did not see this as a human rights issue. Indeed, proposals were described as ensuring that owners make a fair contribution to addressing inequalities in access to housing associated with second homes, empty homes and short-term lets.

## **Equality, human rights and wellbeing impacts**

Most of those commenting thought that the proposals will have equality, human rights, and/or wellbeing impacts, including a view that a full Equality Impact Assessment (EQIA) is required before the proposals are progressed. This was seen as crucial in identifying and mitigating any negative impacts, with a particular focus on potential impacts for people with protected characteristics. It was also suggested that local EQIAs may be necessary, for example to inform local authorities' use of exemptions and other local discretion. There were also calls for local authorities to be open and transparent about how the policy approach they plan to take will further equality and wellbeing.

Respondents also noted that the potential for changes to deliver positive equality impacts may be dependent on how any additional income is used, and again there were calls for this to be at the discretion of local authorities. However, there were also calls for some kind of provision which ensures that these decisions are focused on reducing poverty and inequality.

## **Fairness and inequality**

Picking up on this theme, comments on the potential impact of the proposed changes often focused on helping to address inequality across local communities, especially in terms of access to housing and distribution of wealth. Further comments included that:

- certain groups have been disproportionately affected by housing shortages and barriers to accessing suitable accommodation, for example, key workers, disabled people, younger people, lower income households and seasonal workers
- certain geographical communities, and in particular rural and island communities, have been most affected by second home ownership and the prevalence of holiday lets

Respondents noted that improving access to housing for these communities will come at some cost to owners of second homes, empty homes and self-catering accommodation, and saw a need to balance the approach to housing need with



support for sustainable economies. However, there was also a view that the proposed changes are progressive, in terms of redressing the negative impact of these property uses on local communities; ensuring that businesses and owners of second or empty homes make a fair contribution and help support the communities that are affected by their property choices was seen as reasonable.

There were also concerns around the potential for proposals to have a disproportionate and negative impact on property owners. It was suggested that the changes will unfairly penalise owners for investing in local communities, and potentially discriminate against less wealthy second home owners. There was reference again to local authorities tailoring their approach to take account of local differences and to ensure that changes do not result in individual owners being unfairly penalised. Those who have inherited properties and/or are unable to sell were seen as warranting particular consideration.

### **Human rights impacts**

Respondents noted the obligation on Scottish Government and local authorities to make best use of available resources to realise human rights objectives. This was often connected to the right to a safe, secure and affordable home, and a view that this obligation is not being met. A shortage of affordable housing supply - exacerbated by second homes, empty homes and self-catering accommodation - was seen as contributing to the problem, and by extension the proposed changes were seen as having the potential to help deliver on the right to suitable housing.

Respondents also expressed a view that it is unfair for a significant number of households to have two or more homes in areas where other households have none. It was suggested that owners' rights must be balanced against potential for negative impacts on others.

However, there was also a view that the proposals may have limited impact and are unlikely to result in additional housing supply that is within the reach of local residents. This was seen as a particular issue in areas where any second or empty homes coming to the market are unlikely to be affordable to locals. Concerns were also raised around the potential impact on the rights of owners of second homes, empty homes and self-catering accommodation. For example, it was suggested that the introduction of higher Council Tax premiums would constitute discrimination on the grounds of property.

### **Protected characteristics**

In terms of potential positive impacts on people with protected characteristics, there was a view that any improvement in housing supply would provide scope to support their specific housing needs.

However, it was also suggested that the changes to the non-domestic rates thresholds could affect certain groups of people disproportionately and negatively. This was linked primarily to evidence that the majority of short-term let owners, and those owning and running associated businesses, are women; if the proposals result in business closures, by extension those affected are more likely to be

women. There were also concerns about reduced alternative employment opportunities for women affected by business closures.

### **Wellbeing impacts**

There were only a small number of comments on wellbeing and health impacts. These were most likely to be raised in relation to any positive economic, housing and community impacts being likely to contribute to overall wellbeing. Other comments included that:

- improving access to safe and secure housing could have a particularly positive impact on wellbeing for those affected by housing shortages
- reducing rural de-population, and retaining multi-generational support networks, can play an important role in promoting and maintain community cohesion and wellbeing

There was also reference to the potential for negative wellbeing impacts, especially for businesses and empty or second home owners directly affected by the changes. Respondents noted that many businesses and home owners are already under financial pressure, and suggested that changes could cause significant financial difficulty for some. Second home owners also referred to the potential loss of positive wellbeing impacts associated with their use of a second home.

## 6: Other issues raised

### Question 25 – Is there anything else you would like to tell us in relation to this consultation?

Around 465 respondents made further comments, often reiterating points discussed across previous sections of this report, for example around definitions, Council Tax for second and empty homes, and non-domestic rates thresholds for short-term lets. These included respondents restating their opposition to proposals, highlighting concerns that second home owners will be penalised unfairly, or suggesting that there is a lack of evidence that proposals will deliver the intended policy objectives. However, respondents also saw potential for the proposals to have a positive impact, most notably in terms of tackling inequality in access to housing and supporting sustainability of local communities. Examples were cited of specific case studies illustrating the potential impact of proposals.

#### Importance of implementation

Respondents highlighted the importance of the approach to implementation in terms of realising positive impacts. This included reference to the time required to plan for implementation, and the potential need for increased council resources to support implementation (including any enforcement activities). There were also calls for effective data sharing across councils and partners to support implementation and enforcement, for example to ensure effective identification of second homes and prevent avoidance of higher premiums.

Concern around avoidance and 'loopholes' was also linked to calls for change to ensure that self-catering accommodation is not eligible for non-domestic rates reliefs, and reassessment of rateable values. Ensuring that short-term let properties cannot avoid local taxes was seen as crucial in terms of the objective of all owners making a fair contribution.

There was also thought to be a need for the implementation of the proposals to incorporate careful assessment of local circumstances, and for councils to use their discretion to better support policy objectives and to avoid unintended consequences. This was identified as especially important in ensuring councils can take account of varying needs and circumstances across rural and urban areas, and in balancing the needs of residents and communities with support for sustainable local economies. Tailoring of non-domestic rates thresholds to local circumstances was suggested. The wide range of motivations for people to own second homes, empty homes, or self-catering accommodation, and the various factors that can limit an owner's ability to dispose of their property were also referenced.

Reflecting these concerns, there were calls for specific exemptions to ensure a fair approach or to avoid penalising owners unfairly. This included reference to exemption for specific locations or types of owner and varying exemption periods for higher Council Tax premiums. The importance of effective local engagement

was also highlighted in relation to enabling a localised approach, for example to identify key groups where exemptions may be appropriate to avoid punitive impacts.

Also in relation to implementation of proposals, respondents commented on how any additional funds raised will be used, including that this should be determined by local authorities, with references to supporting fiscal empowerment and local democracy. There were also specific calls for funds to be retained to benefit local communities and support local services. There were suggestions with respect to updating current ring-fencing rules and to allowing flexibility in use of funds to enable councils to take advantage of local opportunities in support of policy objectives.

## **Wider policy context**

Respondents also commented on the current consultation, and how the results will be used. In particular it was argued that findings must be considered in the context of other forthcoming and proposed policy changes, with specific reference to reform of Council Tax, short-term lets regulations, and visitor levies. There were also calls for Scottish Government to recognise that proposed changes come at a time when owners (especially of self-catering accommodation) are adjusting to a range of regulatory changes, and associated cost increases. It was noted that many are still recovering from the impact of COVID-19 and struggling with rising interest rates and price inflation.

## **Alternative approaches to housing supply**

Finally, there were calls for the Scottish Government to consider alternative approaches to delivering policy objectives around housing supply and use of empty homes. This included a view that these objectives reflect a fundamental need for new affordable housing supply and will not be met without a significant increase in development activity.

A range of specific suggestions were also provided, including respondents setting out detailed proposals. These included:

- a new planning use class for second homes
- introduction of a grant scheme to bring empty homes back into use
- a housing licensing model splitting properties into 'local market' and 'open market'
- abolishing SBBS rates relief and relief from LBTT for sale of second homes

There were also calls for dedicated advice and support services to help owners in identifying the most appropriate future use of their properties.

# Annex 1

**Table A - Organisations responding to the consultation**

<b>Campaign group or union (n=5)</b>
Common Weal
Generation Rent
Living Rent
National Farmers Union Scotland (NFUS)
Scottish Trades Union Congress
<b>Community or Development Trust (n=6)</b>
Aberfeldy Development Trust
Assynt Development Trust
Mull and Iona Community Trust
Plockton & District Community Trust
Shapinsay Development Trust
The Arran Development Trust
<b>Housing (n=4)</b>
Chartered Institute of Housing Scotland
Rural Housing Scotland
Scottish Federation of Housing Associations
South of Scotland Community Housing
<b>Local authority (n=28)</b>
Aberdeen City Council
Aberdeenshire Council (Finance/Revenues)
Aberdeenshire Council, Housing Service, Housing and Building Standards,
ALACHO
Angus Council
Argyll and Bute Council
CIPFA - Directors of Finance
City of Edinburgh Council
Comhairle nan Eilean Siar
CoSLA
Dumfries and Galloway Council
East Lothian Council
Falkirk Council
Fife Council
Glasgow City Council
Inverclyde Council

Moray Council
North Ayrshire Council
North Lanarkshire Council
Orkney Islands Council
Perth & Kinross Council
Renfrewshire Council
Scottish Borders Council
Shetland Islands Council
South Ayrshire Council
Stirling Council
The Highland Council
West Lothian Council
<b>Public body or agency (n=7)</b>
Bòrd na Gàidhlig
Community Land Scotland
Highlands and Islands Enterprise
Police Scotland
Poverty and Inequality Commission
South of Scotland Enterprise
Visit Scotland
<b>Representative or professional body (n=10)</b>
Built Environment Forum Scotland (BEFS)
Federation of Small Businesses
ICAS
Institute of Revenues Rating and Valuation (IRRV)
Propertymark
Scottish Assessors Association
Scottish Association of Landlords
Scottish Empty Homes Partnership
Scottish Islands Federation
Scottish Land & Estates
<b>Tourism, including accommodation provider (n=12)</b>
Booking.com
Ellister Lodge
Historic Houses Scotland
Island Holiday Cottages
Maxmeta Limited

Short Stay St Andrews
Sykes Holiday Cottages
The Association of Scotland's Self-Caterers (ASSC)
The Professional Association of Self-Caterers UK
The Scottish Tourism Alliance (STA)
UK Short Term Accommodation Association (UK STAA)
UKHospitality Scotland
<b>Other (n=1)</b>
Evangelical Alliance Scotland



**Table B - Respondent category**

Owner of a Second Home – all who selected	283
Short-Term Let/Self-Catering accommodation operator – all who selected	96
Owner of a Long-term Empty Home – all who selected	8
Council or Assessor	23
Organisation e.g. third sector or industry body	45
Member of the Public	597
Other	54
None of the above	12
<i>Owner of a Second Home ONLY</i>	<i>253</i>
<i>Short-Term Let/Self-Catering accommodation operator ONLY</i>	<i>68</i>
<i>Owner of a Long-term Empty Home ONLY</i>	<i>5</i>
<i>Owner of a Second Home &amp; Short-Term Let/Self-Catering accommodation operator</i>	<i>27</i>
<i>Owner of a Second Home &amp; a Long-term Empty Home</i>	<i>2</i>
<i>Owner of a Short-Term Let/Self-Catering accommodation &amp; Long-term Empty Home</i>	<i>0</i>
<i>Owner of all three types of property</i>	<i>1</i>

Please note that this table sets out frequencies and any single respondent can appear in more than one category

**Table C - Connection to Council areas**

<b>Council Area</b>	
Aberdeen City	24
Aberdeenshire Council	26
<b>All of Scotland</b>	<b>66</b>
Angus Council	19
Argyll and Bute Council	107
City of Edinburgh Council	182
Clackmannanshire Council	3
Dumfries and Galloway	22
Dundee City Council	19
East Ayrshire Council	2
East Dunbartonshire Council	18
East Lothian Council	24
East Renfrewshire Council	26
Falkirk Council	14
Fife Council	85
Glasgow City Council	140
Highland Council	135

Inverclyde Council	6
Midlothian Council	18
Moray Council	20
Na h-Eileanan Siar Council	19
North Ayrshire Council	43
North Lanarkshire Council	16
Orkney Council	15
Perth and Kinross Council	37
Renfrewshire Council	8
Scottish Borders Council	14
Shetland Council	7
South Ayrshire Council	18
South Lanarkshire Council	22
Stirling Council	16
West Dunbartonshire Council	6
West Lothian Council	13

Please note that this table sets out frequencies and any single respondent can appear in more than one category.

## Annex 2

### Glossary

#### Brownfield sites

Sites that have previously been developed or used for some purpose that has now ceased and on which a new use has not been established.

#### Energy Performance Certificate

Energy Performance Certificates set out how energy efficient a building is and give it a rating from A (very efficient) to G (inefficient).

Greenfield sites Undeveloped land that can be used for commercial or residential development.

#### Job-related dwellings

Homes owned by someone who has to live elsewhere for most or all of the time as part of their job, or the home the person occupies to undertake their job if the person has another home that is their main residence.

#### Key worker

A worker who fulfils a role regarded as vital for the community, especially in health, education, security and infrastructure sectors.

#### Land banking

The practice of aggregating parcels of land for future sale or development.

#### Long-term empty home

A property that has been empty for six months or more and is liable for council tax.

#### Non-domestic rates

A tax on non-domestic properties to help pay for local council services. Non-domestic rates are often referred to as 'business rates'. They are charged on non-domestic properties held by the private, public and third sectors.

#### Purpose-built holiday accommodation

A dwelling that is used for holiday purposes and has a licence or planning permission limiting its use for human habitation throughout the whole year.

#### Second home

A dwelling which is no one's sole or main residence and that is lived in for at least 25 days during the 12 month period of the Council Tax charge.

### Tied accommodation

Accommodation provided to an individual by the individual's employer under a service occupancy agreement (that is, in return or part return for the performance by the individual of services under the employment agreement).

### Short-term let

For the purposes of this report the meaning of a Short Term Let encompasses the licenses that form the licensing scheme as set out in the Civic Government (Scotland) Act 1982 (Licensing of Short-term Lets) Order 2022.

In general a short term let can be considered to be where a property is being rented but is not the primary residence of the people renting it, although the exact scope of lets covered by the Order may differ, for example lets related to premises which are already covered by any other existing licensing schemes such as for caravan parks or alcohol licences may be excluded.

### Valuation Roll

The Valuation Roll is a public document which contains an entry for all non-domestic properties except those specifically excluded by law. Each entry in the Roll includes the names of the proprietor, tenant and occupier as appropriate, the Net Annual Value which has been set by the Assessor and the Rateable Value.

## **Acronyms used**

BRIA	Business Regulatory Impact Assessment
EQIA	Equality Impact Assessment
LBTT	Land and Buildings Transaction Tax
PRT	Private Residential Tenancy
SBBS	Small Business Bonus Scheme



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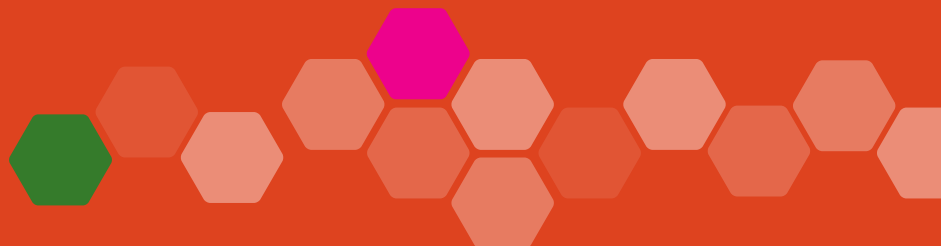
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