

# **Scrutiny Investigation - Holiday Homes and taxes**

## **Version 1.00 of the Scope**

### **Background**

“Second Homes”, which are subject to Council Tax, and “Self Catering Accommodation”, which are subject to Non-domestic Taxes are clearly defined within the law.

The Resources Cabinet Member provided a number of papers to the preparatory meeting of the Corporate Scrutiny Committee held on the 20/05/2015 answering questions raised with regards to taxation of “second homes” and “self catering accommodation” and the situation in Gwynedd. It clearly showed the annual challenge of protecting the taxable foundation and the budget due to property moving from Council Taxation to non-domestic taxation.

The Resources Cabinet Member requested that the Corporate Scrutiny Committee undertake a Scrutiny investigation into the matter on his behalf, looking at what is happening in other areas, drawing up recommendations to present to him.

### **Purpose of the Investigation**

The purpose of the investigation is to look at other authorities who face a similar challenge to Gwynedd with regards to the migration from Council Tax on Second Homes to Non-domestic rate payers for “self catering accommodation”, and to identify if they have any good practice or plans to lessen the problem/situation.

- The Non-Domestic Rating (Definition of Domestic Property) (Wales) Order 2010 changed the definition of property that is not domestic property for taxation purposes. What effect did these changes have on the speed of the transfer?
- What discount or premium do different councils in Wales and England allow / charge on second homes? Is there any correlation between the size of the discount / premium and the number of properties transferring?
- How often does the Valuation Office review if a property that has transferred to the Business Rates regime continues to comply with the definition of property that is not domestic property?
- Does the Council have any “policing” powers? If so, is there a business case for establishing a “compliance” function within the Council that would pay for itself by finding properties that are not eligible for Council Tax, but should be? If the Council finds such property, would the Valuation Office be prepared to act?
- What strength of evidence is acceptable to the Valuation Office to allow a transfer?
- We have figures to show how many properties the Valuation Office has allowed to transfer in each year. Are there figures available for the

number of properties that the Valuation Office has rejected in each year? These figures would help to show whether more property owners are now asking for a transfer, or if the Valuation Office is more willing to allow transfers (e.g. because cuts in resources mean that they cannot investigate as thoroughly).

- Does the Council have any right of appeal when a property is transferred?
- Is there a risk that raising a Council Tax Premium on second homes could be counterproductive if it encourages more transfer?

### Investigation Timescale

Begin the investigation	June 2015
End of the investigation	October 2015
Report to the Corporate Scrutiny Committee	3rd December 2015
Report from the Scrutiny committee to the Cabinet member	January 2016

### Programme

Outline of the main stages and meetings.

**Members will be required to undertake additional work between meetings.**

1.	Presentation from the Resources Cabinet Member and the Head of Finance .
2.	<p>Planning meeting</p> <ul style="list-style-type: none"> <li>• Investigation Team to consider the information provided thus far</li> <li>• Agree work programme to include questions, timetable and how to undertake the investigation eg</li> <li>• Discuss with other authorities by phone or video conferencing</li> <li>• Contact the Government and the Valuer's Office</li> <li>• desk top Research work</li> <li>• local field work</li> </ul>
3.	Members to undertake Research work on behalf of the investigation
3.	<p>Evaluate and analyse:</p> <p>Consider and summarise the information collated</p> <p>Agree the main recommendations for the report</p>
4.	Write the report
5.	Present the draft report to the Corporate Scrutiny Committee before presenting the recommendations to the Cabinet Member.

Draft