



Business rates treatment of self-catering accommodation

MHCLG Consultation

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INTRODUCTION

- 1 The CLA is a membership organisation representing 30,000 members in England and in Wales. Our members own and manage land and operate over 250 different types of businesses located in the rural.
- 2 Managing and developing tourism is crucial and in many areas it can form the back-bone of the rural economy, alongside agriculture. A significant proportion of our membership own and/or operate self-catering accommodation.

Question 1 – Do you have any views on the current criteria?

- 3 The current criteria allow a lot of flexibility as to how properties are managed. This allows a certain amount of flexibility between the Council Tax and non-domestic rating regime.
- 4 The current criteria set the number of days a property needs to be available for letting (s.66(2B) Local Government Finance Act 1988), but not a threshold for the actual number of days it is actually let. This provides much needed flexibility for properties where the letting season is relatively short, or lettings are quite variable.
- 5 The property must be available for commercial letting to qualify as the criteria stands at present. “Commercially” means on a “commercial basis, and with a view to the realisation of profits” (s.66(8A) Local Government Finance Act 1988). The current criteria therefore allow for the lack of commerciality to be used as a reason for the suitability of the property for the assessment for Non-domestic rates.
- 6 It must be remembered that whilst 96% of the self-catering accommodation has a rateable value of less than £12,000, some people/businesses will own several separately rated properties or other business premises and it is only the first that can benefit from SBRR assuming the total rateable value does not exceed £15,000.

Question 2 – Do you have any views on the possible criteria set out above?

- 7 The proposed criteria seem quite reasonable however there are concerns that the evidence and justification to prove compliance may be challenging especially as it may be requested each year.

- 8 There is concern that new self-catering accommodation will not have the lettings record established for the year before, and will also need to build up their occupancy rates perhaps over 3 years or so. They should not be penalised by failing to reach the criteria whilst they are becoming established.
- 9 It would seem that an averaging election and Period of Grace would be helpful, similar to that provided for within the income tax regime would be useful (s.326 and s.236A of ITTOIA 2005). This would allow occupancy to be averaged over a number of properties, and provide some flexibility to the operator when occupancy rates drop below expectations.

Question 3 – Do you have any views on how the criteria set out above could be evidenced?

- 10 This could be evidenced by
- a record of the lettings
 - how the property had been marketed
- The latter of course would be a matter of judgement. There is potential for the VOA or local authority to set this threshold at a purely arbitrarily high level
- 11 It is important however that a practical approach is taken to the definition of “commercially” to ensure that this does not mean having to advertise a property at times of year when take up will always be low, and advertising for the type of property is not viable. Furthermore, it is assumed that advertising on websites such as AirBnB or other such providers would be considered sufficient in marketing terms.
- 13 Any information, collected by the VOA on occupancy rates and rents charged to ratify compliance under this new regime, should not then be to ratchet up the Rateable Value

Question 4 – Do you have any alternative suggestions that would similarly strengthen the criteria?

- 14 The VOA will have to maintain much better records on the local self-catering lettings market and the types of appropriate properties in particular areas.
- 15 The VOA should not have to rely on “requests for information” from rate-payers

Question 5 – Do you have any views on the option of backdating business rate bills and reimbursing council tax payments?

- 16 It would seem unnecessarily clumsy to have a switch between Council Tax and Business Rates especially where this involves the refunding of paid council tax, the issuing of rates bills and then applying rate relief.

- 17 It is difficult to see why a business that is struggling to establish should pay council tax (even if it is to be refunded at some point) when an established business pays nothing as they are able to utilise SBRR.

Question 6 - Are there any issues regarding the administration and enforcement of the approach outlined in paragraphs 8 - 17?

- 19 The administration should be based the business records normally held, rather than a requirement to fill in annual returns to the local authority.
- 20 National governments and local authorities should provide additional detail to those registering self-catering accommodation for non-domestic rate to increase transparently and enable greater understanding.

Question 7- Do you have any other comments on the options set out above to strengthen the criteria for holiday lets to become liable for business rates rather than council tax?

- 21 No further comments.

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