

Gove closes tax loophole on second homes

- Homeowners who leave properties empty while pretending to let them to holidaymakers will be targeted
- Under the new rules, holiday lets must be rented out for a minimum of 70 days a year to qualify for business rates, which often brings financial advantages
- Changes to tax rules will protect genuine holiday lets and benefit popular holiday destinations, including Devon, Cornwall and the Lake District

Owners of second homes who abuse a tax loophole by claiming their often-empty properties are holiday lets will be forced to pay under tough new measures announced by the government today (14 January 2022).

The changes will target people who take advantage of the system to avoid paying their fair share towards local services in popular destinations such as Cornwall, Devon, the Lake District, Suffolk, West Sussex and the Isles of Scilly.

Currently, owners of second homes in England can avoid paying council tax and access small business rates relief by simply declaring an intention to let the property out to holidaymakers. However, concerns have been raised that many never actually let their homes and leave them empty and are therefore unfairly benefiting from the tax break.

Following [consultation](#), the government will now bring changes to the tax system, which will mean second homeowners must pay council tax if they are not genuine holiday lets.

From April 2023, second homeowners will have to prove holiday lets are being rented out for a minimum of 70 days a year to access small business rates relief, where they meet the criteria.

Holiday let owners will have to provide evidence such as the website or brochure used to advertise the property, letting details and receipts.

Properties will also have to be available to be rented out for 140 days a year to qualify for this relief.

Secretary of State for Levelling Up Rt Hon Michael Gove said:

The government backs small businesses, including responsible short-term letting, which attracts tourists and brings significant investment to local communities.

However, we will not stand by and allow people in privileged

positions to abuse the system by unfairly claiming tax relief and leaving local people counting the cost.

The action we are taking will create a fairer system, ensuring that second homeowners are contributing their share to the local services they benefit from.

Kurt Jansen, Director of the Tourism Alliance said:

Establishing these new operational thresholds for self-catering businesses is welcomed by the tourism industry as it makes a very important distinction between commercial self-catering businesses that provide revenue and employment for local communities, and holiday homes which lie vacant for most of the year.

It is recognition that tourism is the lifeblood of many small towns and villages, maintaining the viability of local shops, pubs and attractions.

The move will protect genuine small holiday letting businesses across the country and will support local economies by encouraging tourism and by ensuring second homeowners pay a fair contribution towards public services.

Around 65,000 holiday lets in England are liable for business rates of which around 97% have rateable values of up to £12,000. Currently there is no requirement for evidence to be produced that a property has actually been commercially let out.

The government's [consultation response](#) announces that, from 1 April 2023, a property will only be assessed for business rates rather than council tax if the owner can provide evidence that:

- it will be available for letting commercially, as self-catering accommodation, for short periods totalling at least 140 days in the coming year
- during the previous year, it was available for letting commercially, as self-catering accommodation, for short periods totalling at least 140 days
- during the previous year, it was actually let commercially, as self-catering accommodation, for short periods totalling at least 70 days

The Valuation Office Agency will be responsible for determining whether a property should be assessed for council tax or business rates under this new system.