ICAEW
REPRESENTATION 89/26

WELSH GOVERNMENT CONSULTATION ON THE CLASSIFICATION OF SELF-CATERING PROPERTIES FOR LOCAL TAX PURPOSES

Issued 23 October 2026

ICAEW welcomes the opportunity to comment on the Classification of self-catering properties for local tax purposes, published by the Welsh Government on 31 July 2026, a copy of which is available from this link.

ICAEW recommends that the Welsh Government reviews the impact of the 2023 changes to the criteria, before considering whether a reduction in the 182-day test is appropriate.

ICAEW supports in principle the proposals to introduce five additional exemptions from the letting requirements, provided they can be defined by objective tests.

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This response of 23 October 2026 has been prepared by ICAEW's Tax Faculty.

Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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ANSWERS TO SPECIFIC QUESTIONS

A) THE 182-DAY TEST

Question 1: Do you think the Welsh Government should consider a modest reduction to the letting threshold?

1. Yes.

Please give reasons for your view:

2. ICAEW recognises that the Welsh Government is trying to find a balance between holiday accommodation and having properties available for longer-term rent by local residents.
3. Multiple factors, many of which are beyond the owner's control, affect the number of days a property can actually be let for in a calendar year. These include the weather, the property's facilities and geographical location (eg, coastal, rural, urban) and its proximity to local transport, retail facilities (eg, pubs, shops) or tourist attractions. 182 days of letting is half of the year (26 weeks), but school holidays, which we understand tend to correspond to peak letting periods, are only 13 weeks per year.
4. We have prepared the table below to compare the business rates eligibility criteria in England and Wales for short-term holiday accommodation:

Commercial letting condition	**Criteria in England**	**Criteria in Wales (from 1/4/2023)**
Minimum period of availability in the previous 12 months	140 nights (20 weeks)	252 days (36 weeks)
Minimum period of availability in the next 12 months	140 nights	252 days
Minimum period the property was actually let for short periods in the previous 12 months (excluding stays of more than 28 nights)	70 nights (10 weeks)	182 days (26 weeks)
Other provisions		• Averaging the actual days let over two or three years has been possible since 1 April 2026 • Up to 14 days of donations of short breaks to charities from 1 April 2026 • The ratepayer's interest in the property allows them to let it short term

Criteria in England: www.gov.uk/guidance/apply-for-business-rates-for-a-self-catering-property-in-england

Criteria for Wales: https://businesswales.gov.wales/topics-and-guidance/business-tax-rates-and-premises/business-rates-wales

5. Prior to April 2023, the criteria in Wales mirrored that of England and for both, the property only needed to be intended to be available for commercial, short-term letting. It is clear from

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the table above that Welsh holiday properties have been at a disadvantage to English holiday properties since that date, when considering their eligibility for business rates.

6. The primary goal of the 2022 consultation that led to the 2023 changes was to:
   - "address concerns about the impact of high proportions of second homes on certain communities" by looking to
   - "ensure that self-catering properties are required to make a much more substantial contribution to the local economy, in order to be considered businesses and liable for non-domestic rates, rather than council tax".
7. Before it can consider whether to reduce the 182-day test, the Welsh Government should review the data available to it, to determine if the 2022 consultation that led to the 2023 changes met the policy aims, including the impact on the Welsh language and whether there has been an overall net increase in council tax receipts.
8. In particular, as part of any data review, the Welsh Government should try to ascertain what percentage of relevant properties have actually achieved 182 days of lettings. If only a small percentage achieve that, it would be an indication that the 182-day test is too onerous.

Question 2: What impacts do you think a modest reduction to the letting threshold would have on self-catering operators?

9. ICAEW considers that most operators would welcome a modest reduction.

Question 3: What impacts do you think a modest reduction to the letting threshold would have on the ability of local authorities to respond to the issues arising from any over-supply of self-catering properties?

10. The Welsh Government and local authorities will need to review the impact of any reduction to determine whether it has created an over-supply of holiday accommodation and/or a shortage of longer-term rental accommodation for local residents.
11. The new register of visitor accommodation, that requires providers to register their accommodation by 31 March 2027, should be a useful tool in helping local authorities assess the property stock in their area and whether any reduction in the threshold should be retained, reversed, or reduced even further.

B) POTENTIAL EXEMPTIONS FROM THE 182-DAY TEST

Question 4: Do you agree with the proposed exemption for properties which are part of a wider business?

12. Yes.

Please give reasons for your view:

13. ICAEW supports the proposal to align with the exemption in England.

Question 5: Do you agree with the proposed exemption for large multi-unit properties?

14. Yes.

Please give reasons for your view:

15. ICAEW supports the proposal to align with the exemption in England.

Question 6: Do you agree with the proposed exemption for properties subject to a relevant planning restriction?

16. Yes.
17. The penultimate question in the gov.wales guidance (businesswales.gov.wales/non-domestic-rates-self-catering-properties-wales) notes that planning and business rates rules are not aligned. For ease of administration, ICAEW supports aligning these tests.

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Question 7: Do you agree with the proposed exemption for properties within the curtilage of the owner's home?

18. Yes.

Question 8: Do you agree with the proposed exemption for properties on the owner's farm?

19. In principle, yes, as agricultural land and genuine farm buildings in Wales are entirely exempt from paying business rates (non-domestic rates), but diversifications such as self-catering units may lose this exemption. If such units are subject to council tax rather than business rates, that significantly skews the impact of losing the exemption.
20. However, ICAEW is concerned by the suggestion that subjective judgement may be needed in individual cases. Tenet two of ICAEW's Ten Tenets for a Better Tax System (see Appendix 1) says that as far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs. We would encourage this exemption to be framed with objective tests as far as possible.

Question 9: Are you aware of any other circumstances in which a property could not be used as a permanent home which should be considered for exemptions?

21. No.

C) WELSH LANGUAGE IMPACTS

22. ICAEW does not have any comments to make on Questions 10 and 11 in relation to the impact on the Welsh language.

D) OTHER POINTS

Question 12: We have asked a number of specific questions. If you have any related points which we have not specifically addressed, please use this space to record them.

23. ICAEW does not have any further points.

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APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see Ten Tenets for a Better Tax System | ICAEW

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