

Second homes Motion

Proposer Cllr Liz Withington

Secunder Cllr Colin Heinink

This Council recognises that second homes and furnished holiday lets (FHL) are an integral part of the culture and economy of North Norfolk. However, current legislation allows for proprietors of FHL to claim FHL status as a business with no evidence required to prove compliance with the 20 week minimum letting rule (140 days) and 210 days availability rule. This then results in no income for the Local Authority, from Council Tax for those FHL incorrectly registering for Business Rates. We call on government to legislate for evidence of occupancy levels to be requisite to achieve FHL status and eligible for business rates and Small Business Rate Relief.

North Norfolk is an attractive popular and interesting place for holidays and since the early days of the 20th Century, when Olive Edis was photographing local fishermen to the country's King who regularly visited the area; has been a popular destination for a second home(SH). With the resurgence of 'Staycations' over the recent years the traditional North Norfolk holiday home has become even more popular and seen as an investment, with the number of second homes(SH) and now Furnished Holiday Lets (FHL) increasing by 4.3% or 276 homes across the district in the last year.

In total the district is home to **a total of 6697 second or FHL** comprising of **11.6% of all** homes in the district.

- **4476 of these properties are second homes and 2221 are FHL.**
- **Currently there is a rapid increase in the number of FHL paying business rates which has increased by 13% in the last year.**
- In some areas of the district such as Salthouse they have 50% of their properties occupied as SHs or FHLs.
- North Norfolk towns such as Sheringham and Cromer having 15% and 13% respectively. This is not only a coastal phenomenon with several inland villages and those in the area of the Broads averaging around 10% Shs and FHLs.

This Council accepts that the local economy is dependent on the people who visit either as second home owners or as the visitors who let the FHL and that the growth in our local economy has been as a result of this growth in the number of second homes and holiday makers visiting and staying in the FHL. In fact it is these people who stay in self-catering accommodation that NNDC has actively been encouraging to stay for longer and contribute more to the local economy while they visit. **It must therefore be made clear that this motion is not about decrying second home owners and those running FHLs.** It is about making sure that **the wonderful environment, services and amenities available in North Norfolk are paid for fairly** by not only the residents and also those who visit but those who

run a business which is dependent on the provision of these facilities and which helps them to turn a profit as a return on their investment

A second home owner where a second home is defined as a residence which the owner plans to occupy the home for part of the year and the property is let out for less than **20 weeks per year** and used predominantly by the owner for their own holidays; will qualify to pay council tax.

If a holiday home in North Norfolk is used predominately for commercial self-catering accommodation, and is available to let for **20 weeks (140 days)** or more in a year, then the property should be registered for business rates rather than council tax.

In order to qualify as a business for Tax purposes a FHL must be let commercially as furnished holiday accommodation to the public for **at least 105 days in the year and available for let for 210 days per year**. Proprietors cannot count any days when they let the property to friends or relatives at zero or reduced rates as this is not a commercial let. In the event of a property not being let for this amount of time this business can have up to two years grace where it can elect to be a FHL. Therefore a third of all second homes and FHL are eligible to pay business rates in North Norfolk. Increasingly newly acquired second homes are FHL. The number of SH in the area reducing by 25 last year.

Importantly many such FHL properties are likely to qualify for **Small Business Rate Relief**, which provides relief from business rates.

The owners of some Furnished Holiday Let properties therefore **pay no council tax or business rates**, as their property qualifies for Small Business Rates Relief providing **100% exemption** and **no income for the authority**.

For North Norfolk this amounts to 2221 homes and at a band d property a loss of potential council tax income for the district of £4,208,795 if all of these properties do not actually meet the criteria for FHL status.

Many other small businesses in North Norfolk will be claiming Small business rate relief and in effect not contributing directly to the costs of the district and that is the way of the world. However, when an individual has to prove that they are disabled and eligible for a Council Tax discount or benefits it seems incongruent that a FHL owner is not required to provide proof that they have let their investment property for the requisite number of days commercially and as a result **automatically qualify for a potential exemption from either Council Tax or Business rates**.

Sadly this inevitably means that all FHL owners tend to be besmirched with the same reputation as investors or Second home Owners, who are not letting their properties for the requisite time and escaping the payment of either council tax or Business rates. As with everything there are those who will genuinely be conforming and paying what is due but

current legislation does not require this evidence and in effect provides a legal loophole for this to occur. It is impossible to know officially how many days are let and how many second homes are avoiding payment of Council Tax through false claims of FHL status.

As a District Council we are well aware of the benefits of holiday home owners to the region but equally we are aware of the detrimental impact of high numbers of holiday homes; reduced housing stock, high house prices, loss of community services and facilities. These negative impacts require financial support to local communities, the development of affordable housing and support to services to enable communities to be sustainable and for quality of life for our residents. The legal loophole that currently exists results in a potentially reduced amount of Council Tax income available for the redirection of funds back to communities, for the provision of what is needed by the people negatively affected.

We therefore urge Government to take the appropriate legal action requiring evidence of commercial occupancy levels, which will help to address one aspect of the inequality in funding of those rural tourist dependent areas of England such as North Norfolk.

<https://www.gov.uk/government/publications/furnished-holiday-lettings-hs253-self-assessment-helpsheet/hs253-furnished-holiday-lettings-2020>