



Ein cyf/Our ref MDFWL/10172/24

Y Cynghorydd Beca Roberts
Cadeirydd y Cyngor

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16 January 2025

Dear Y Cynghorydd Beca Roberts,

Thank you for your letter of 18 December drawing my attention to the motion adopted by Gwynedd Council.

The Consultation referred to in the motion concluded in March 2022 and a response was published in July 2022. The response referenced our intention to “work with local authorities to develop a national framework within which they can request for increased LTT rates for second homes and holiday lets to be applied in their area”.

Subsequent discussions with local authorities have not elicited any impetus to developing a national framework, and hence, this work is not currently being progressed. However, a number of levers have been provided to local authorities, including increasing the premia on council tax, increasing in the threshold for holiday lets for non-domestic rates purposes, and Article 4 directions in relation to planning. It is important to evaluate the influence of these different levers in addressing the issues for local communities arising from significant numbers of second homes and short term holiday lets.

I remain open to exploring with local authorities in Wales the development of a national framework for local variation of the higher residential rates in location specific areas to address issues of second homes and short term holiday lets. However, as the Consultation drew out, devolution of aspects of a national tax to local authorities raise a number of challenges.

One issue highlighted was the need to establish a dividing line between those dwellings bought as holiday homes and for holiday-letting purposes and those for other reasons. That would change the test from a simple fact-based test of how many interests in dwellings were owned by the buyer on the date of the transaction, to one of what the buyer’s intent is on the date of the transaction.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

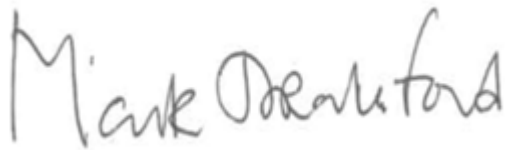
We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In relation to the revenues generated by land transaction tax (LTT), it is important to remember that those revenues are an essential part of the Welsh Government's funding to pay for the delivery of public services across Wales, including funding for local authorities. As with the other devolved taxes, we do not allocate revenue for local authority funding based on the amount generated within each local authority, and as such, do not believe it is appropriate to do so in this case. Likewise, if the initiative resulted in decreased revenue due to the impact on the transactions, the Welsh Government would not seek to claim additional revenue from local authorities to make up for shortfalls.

In the draft Budget on 10 December 2024, I announced an increase to the higher residential rates of LTT of one percentage point coming into effect from the following day. That is forecast to increase revenues by around £7m per annum and is also forecast to decrease the number of transactions that occur. Therefore, the Welsh Government is already taking action to increase the contribution made to Welsh public services by raising the higher rate when appropriate, whilst seeking to balance its impact on both transactions where the buyer is acquiring a second home and where the buyer is acquiring the property for another purpose.

I would be happy for our respective officials to meet to discuss in more detail our collective understanding of the issues, challenges and opportunities related to the development of a national framework for the local variation of Land Transaction Tax.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language