# Second home tax loophole costs UK councils £334 million as holiday lets surge



Local authorities are facing significant financial losses due to a loophole that enables second home owners to sidestep substantial council tax bills. According to recent estimates, this loophole could cost councils an astonishing £334 million. Under the provisions of the 2023 Levelling Up and Regeneration Act, local councils in the UK gained the authority to enforce a 100% premium on council tax for second homes. In particular regions of Wales, this premium can soar up to 300%. However, many property owners have manoeuvred around this by registering their second homes as holiday lets. To qualify for business rates relief—thus completely exempting them from council tax—owners need only to rent their properties for 70 nights a year while making them available for 140 nights.

Research from property consultancy Colliers underlines that the loss of council tax revenue has doubled within a year, escalating from £170 million. Critics of the policy, including Shadow Housing Minister Kevin Hollinrake, argue that these measures have backfired, exacerbating existing problems. Hollinrake pointed out that there was no thorough impact assessment conducted and urged the government to tailor their approach to address localised housing issues more effectively. Similarly, John Webber from Colliers remarked that the current situation is “making the situation even worse”, highlighting concerns over decreased financial resources for vital local services and affordable housing initiatives.

Politicians are seemingly enacting policies without a comprehensive understanding of the ramifications. A notable statistic reveals that 230 out of 296 councils in England and 20 out of 22 councils in Wales have chosen to impose this elevated tax. However, the rapid rise in the number of properties registered as holiday lets has led to a marked increase in the number of owners opting to pay business rates instead of council tax. For instance, the number of holiday lets registered for business rates surged from 63,000 in 2020 to 78,000 by 2024. This shift is particularly significant in popular tourist regions like Cornwall and Dorset, where properties that have a rateable value below £12,000 can benefit from a 100% discount on business rates, rendering such arrangements financially advantageous for owners.

In January 2022, the UK government attempted to address these concerns by introducing new rules requiring evidence that second homes are genuinely rented out to qualify for the business rates relief. These regulations, effective from April 2023, aim to ensure second homeowners make a fair contribution to local services while tackling the issue of properties left vacant and effectively removed from the housing market. Nevertheless, the question remains whether these measures will be sufficient to rectify the challenges faced by local councils grappling with dwindling revenues.

While the government may believe these regulations will rein in exploitation, critics argue that they may merely scratch the surface of a far more complex housing crisis. Addressing this dilemma requires not just regulatory action but a nuanced understanding of local housing markets, as well as a willingness to engage in more targeted, community-focused policies.

## Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/uk/2062896/double-council-tax-loophole-second-homes)
* Paragraph 2 – [[1]](https://www.express.co.uk/news/uk/2062896/double-council-tax-loophole-second-homes), [[2]](https://www.gov.uk/government/news/gove-closes-tax-loophole-on-second-homes), [[5]](https://www.telegraph.co.uk/money/property/second-home-owners-save-150m-year-using-council-tax-loophole/)
* Paragraph 3 – [[3]](https://www.ft.com/content/45a95113-ad84-4bc0-9b30-9f59025b64bf), [[6]](https://www.gov.uk/government/news/gove-closes-tax-loophole-on-second-homes)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.express.co.uk/news/uk/2062896/double-council-tax-loophole-second-homes> - Please view link - unable to able to access data
2. <https://www.gov.uk/government/news/gove-closes-tax-loophole-on-second-homes> - In January 2022, the UK government announced measures to close a tax loophole exploited by second home owners who falsely claimed their properties were holiday lets to avoid council tax. The new rules, effective from April 2023, require owners to provide evidence that their properties are genuinely rented out for at least 70 days a year to qualify for business rates relief. This move aims to ensure that second homeowners contribute fairly to local services and addresses concerns about properties being left empty while owners benefit from tax breaks.
3. <https://www.ft.com/content/45a95113-ad84-4bc0-9b30-9f59025b64bf> - An article from the Financial Times discusses how UK holiday let owners are increasingly opting to pay business rates instead of council tax due to rapidly increasing council tax rates. The number of holiday lets registered for business rates rose from 63,000 in 2020 to 78,000 in 2024. This shift is particularly notable in areas like Cornwall and Dorset, where properties are eligible for a 100% discount on business rates if their rateable value is under £12,000, making it a more affordable option for owners.
4. <https://www.gov.uk/government/news/gove-closes-tax-loophole-on-second-homes> - In January 2022, the UK government announced measures to close a tax loophole exploited by second home owners who falsely claimed their properties were holiday lets to avoid council tax. The new rules, effective from April 2023, require owners to provide evidence that their properties are genuinely rented out for at least 70 days a year to qualify for business rates relief. This move aims to ensure that second homeowners contribute fairly to local services and addresses concerns about properties being left empty while owners benefit from tax breaks.
5. <https://www.telegraph.co.uk/money/property/second-home-owners-save-150m-year-using-council-tax-loophole/> - An article from The Telegraph reports that holiday let owners in Cornwall will save £24 million this year by registering their properties for business rates instead of council tax. By making their rentals available as short-term lets for 140 days a year, owners can claim they are a small business and pay business rates instead of council tax. Properties with a rateable value of less than £12,000 qualify for 100% tax relief, leading to significant savings for owners and a loss of council tax revenue for local authorities.
6. <https://www.gov.uk/government/news/gove-closes-tax-loophole-on-second-homes> - In January 2022, the UK government announced measures to close a tax loophole exploited by second home owners who falsely claimed their properties were holiday lets to avoid council tax. The new rules, effective from April 2023, require owners to provide evidence that their properties are genuinely rented out for at least 70 days a year to qualify for business rates relief. This move aims to ensure that second homeowners contribute fairly to local services and addresses concerns about properties being left empty while owners benefit from tax breaks.
7. <https://www.gov.uk/government/news/gove-closes-tax-loophole-on-second-homes> - In January 2022, the UK government announced measures to close a tax loophole exploited by second home owners who falsely claimed their properties were holiday lets to avoid council tax. The new rules, effective from April 2023, require owners to provide evidence that their properties are genuinely rented out for at least 70 days a year to qualify for business rates relief. This move aims to ensure that second homeowners contribute fairly to local services and addresses concerns about properties being left empty while owners benefit from tax breaks.