

## REPORT ON SHORT TERM LETTINGS/SELF CATERING UNITS (SCU's)

1<sup>ST</sup> February 2021

At the full Council meeting on 28th July 2020 a motion was put forward by Councillor Staniforth (see 9.2 page 6, on the agenda of 28<sup>th</sup> July) regarding short term letting in Edinburgh. Subsequently I have been asked to write a report addressing the issues raised. Please note that I shall refer to entries on the valuation roll for this type of subject as Self Catering Units (SCU's) as distinct to the description of short-term lettings.

### LEGISLATION

SCU's are covered within legislation for Council Tax and the relevant legislation can be found at, *The Council Tax (Dwelling and Part Residential Subjects) (Scotland) Regulations 1992, Schedule 2, Definition of Dwellings – Exclusions, Section 2, Self-Catering holiday accommodation*

#### *2. Any lands and heritages-*

*(a) which are not the sole or main residence of any person; and*

*(b) which either-*

*(i) are made available by a relevant person for letting, on a commercial basis and with a view to the realisation of profits, as self-catering accommodation for short periods amounting in the aggregate to 140 days or more in the financial year: or*

*(ii) if they have not been made so available for letting in that year, are intended by a relevant person to be made so available for letting in that year and the interest of the relevant person in the lands and heritages is such as to enable him to let them for such periods*

What this basically says is property **available** for short term letting that covers a period in total of 140 days in a financial year should be entered on the valuation roll (non-domestic rates). The property only has to be available for letting, you could have the scenario where a property was not let for a single day and it would still be entered on the valuation roll. The availability is the key issue.

So as a further example let's say a property is available for let for 139 days in any financial year, a decision made by the owner. In this circumstance the property would be entered on the Valuation List (Council Tax).

And finally, any property which is a person's sole or main residence stays on the Valuation List. So, if an owner stayed in the property during the week and let it out at weekends it stays on the Valuation List.

In the two examples immediately above a person could legitimately let a property for three weeks during the festival, two weeks over Christmas / New Year and a further 30 weekends during the year and the property would remain on the valuation list.

One other major point to note is that current legislation allows for property to be deleted from the valuation list from the date the property was no longer somebody's sole or main residence. So, if a property has legitimately been used for the purposes of a SCU, and that can be evidentially shown, then the amendments to the valuation list and valuation roll will be made retrospectively back to the date of change. Which in some cases can be a number of years.

#### **CURRENT NUMBERS ON VALUATION ROLL**

	Less than £15,000	£15,001 to £18,000	Greater than £18,000	Total
Edinburgh	1,454	24	32	1,510
Midlothian	52	0	0	52
West Lothian	56	1	0	57
East Lothian	241	2	0	243

The table above shows the current numbers on the valuation roll for the 4 constituent council areas. Every property, theoretically, would qualify for the Small Business Bonus Scheme (SBBS) in the three counties as would 97.9% of the properties in Edinburgh. That obviously depends on the individual circumstances of each individual ratepayer.

During 2020 the number of properties that reverted to domestic use was 260. This compares to 106 during 2019. This perhaps suggests the Covid pandemic has influenced the short-term letting market.

Currently I have one member of staff who spends the vast majority of their working week dealing with SCU enquiries / issues and a number of other staff who also deal with SCU's but to a lesser degree. The majority of new entries made on the valuation roll result from direct enquiries made to us from the owners of SCU's. Any instances where there is a change of planning permission to a SCU would also be notified to us by the constituent councils. But as can be seen these are few and far between. There are also occasions where a 3<sup>rd</sup> party will inform us that they believe a property is being used for SCU purposes.

The additional resource that would be required to investigate a significant number of properties, potentially, being used as a SCU would be substantial. Based on current figures it is likely that a very significant number of these, if they could be identified, would if placed on the valuation roll pay neither non-domestic rates nor council tax under the current SBBS.

May I add at this point that experience tells me that the numbers of SCU's notified to us increased greatly when the SBBS was first introduced. A great number of owners choose to inform us that they wished their properties to be entered on the valuation roll not because they wished to pay non-domestic rates but rather that they do not wish to pay council tax and the SBBS provides a mechanism where they do not have to pay NDR either.

The SG is looking at the regulations surrounding SCU's and changes are due to take affect from 01/04/21. The changes, as I understand, are as follows:

For a SCU to be entered on the valuation roll a property must have been let for at least 70 days, as short term lets, in the financial year.

Any properties that do not meet the 70 days will remain on the valuation list.

For properties currently entered on the valuation roll they will remain so, however they will have to show that during the financial year 21/22, and subsequent years, they have met the 70 day threshold otherwise they will be retrospectively deleted from the valuation roll and entered on the valuation list from the start of the financial year.

If a request is made for a property to be entered on the valuation roll that is currently shown on the valuation list, this will not be done until the 70-day threshold is met.

The effect of these proposed changes will not by themselves reduce the number of properties used as SCU's. What they will do is undoubtedly remove a potentially significant number of properties currently shown on the valuation roll and put them on the valuation list where the owner would pay council tax.

In terms of the tax raised from SCU's, whether it be non-domestic rates or council tax, that is not a matter for the Assessor but rather for Government. The Assessor's job is to, when made aware of a change to the use of a subject, enter the subjects either on the valuation roll or valuation list dependant on the individual circumstances of each property. Any information I receive from 3<sup>rd</sup> parties or that I come across in the normal course of business are investigated and any changes made where it is appropriate to do so.

Should any elected members wish to discuss any aspect of this further I would be happy to do so.

**Gary Elliott**  
**INTERIM ASSESSOR & ERO**