



Department for Levelling Up,
Housing & Communities

Rt Hon Christopher Pincher MP
Minister of State for Housing

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Dear Selaine,

Thank you for your letters of 22 September and 15 November to the Secretary of State for Levelling Up, Housing & Communities regarding the provision of affordable housing for residents in Devon and Cornwall. I am replying as Minister of State for Housing. I was particularly grateful to have the opportunity to debate these and other important issues at the Westminster Hall Debate on Affordable Housing in the Southwest on 07 September 2021.

This Government is committed to increasing the supply of housing so that more people have a safe and affordable place to live. The recent Spending Review reconfirmed £11.5 billion investment through the Affordable Homes Programme from 2021, which will provide up to 180,000 new homes across the country, should economic conditions allow. Approximately half of the homes delivered will be for affordable home ownership, supporting aspiring homeowners to take their first step on to the housing ladder. Since 2010 we have delivered over 1,300 affordable homes in North Devon. In your letter, you highlight concern about the effect of second home ownership and holiday lets on those who live and work on the Devon and Cornwall peninsula. This Government recognises that second homes can bring benefits to local economies including the tourism sector and we do not wish to restrict people's freedom to live where they choose. We also recognise, however, that large numbers of second homes concentrated in a single area can have a negative effect on local communities. We have introduced a number of measures to help mitigate those effects, including introducing higher rates of Stamp Duty Land Tax for those purchasing additional properties.

I understand that Southwest MPs have been in contact directly with the Chancellor, including on business rates criteria for holiday lets. The Government announced earlier this year that it will legislate to require that holiday rentals meet an actual lettings threshold before being assessed for business rates. This will ensure that only genuine holiday letting businesses can access small business rate relief. The Department will publish further detail of this change very shortly as part of its response to the consultation on the criteria, which will be available alongside the consultation document at the following address: <https://www.gov.uk/government/consultations/business-rates-treatment-of-selfcateringaccommodation>.

With regards to tax relief on mortgage interest for landlords, this is restricted to the basic rate of income tax. This restriction was introduced in 2017 and phased in over four years but does not apply to landlords owning furnished holiday lets (FHLs). The 2017 changes, however, do not mean that tax relief on mortgage interest has been abolished entirely for non-FHL landlords, as they can continue to claim at the basic rate, and the Government estimates that only 1 in 10 landlords are affected by this change. FHL are treated as trading assets for tax purposes. In line with other

trading assets, Capital Gains Tax reliefs are available. To be classed as an FHL, however, the taxpayer must demonstrate to HMRC the pattern of occupation of the property, its availability for letting, and the number of days per year that it is let. The Government believes that the current system supports those who have saved and invested in their own home and ensuring that individuals and businesses profiting from property development pay their fair share of tax.

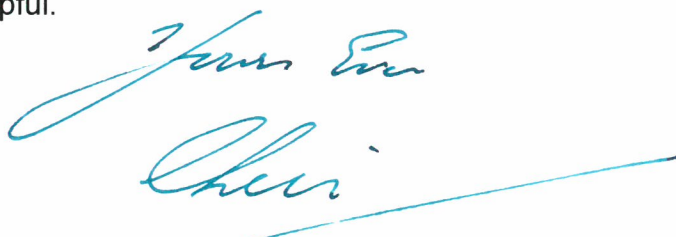
You also suggest allowing councils to charge a council tax premium on second homes. 96% of second homes are already charged the full rate of council tax. This means that the owners of those properties will be paying 100% council tax on both their main home and second property, even though they will only be accessing services relating to their second home on a part time basis. With this in mind, the Government does not currently have plans to allow authorities to charge a council tax premium on second homes. The Government keeps all aspects of the tax system under review.

With regards to short term lets, as I set out in my letter of 23 August, Government is supportive of the increased consumer choice provided by the short-term holiday lettings market and companies such as Airbnb. We do, however, recognise the legitimate concerns relating to the potential consequences for neighbours and local communities, especially where short-term letting is not carried out responsibly. We are encouraging the industry to continue to explore voluntary measures which would support local authorities to use their powers to stamp out bad practice.

The Department for Culture, Media and Sports (DCMS) published the Tourism Recovery Plan in June, which includes a commitment to launch a consultation on the introduction of a Tourist Accommodation Registration Scheme in England. The Government is committed to hearing the views of all interested parties on the merits and drawbacks of a Registration Scheme, and how any potential scheme could be implemented proportionately to avoid placing a significant regulatory burden on the sector or risking a reduction in supply. The Government intends to publish a call for evidence on matters associated with short term holiday letting in early 2022. This will assist in developing proportionate, evidence-based policy options for a subsequent consultation. The Government's housing delivery agency Homes England are in regular contact with officers at North Devon local authority and are aware of the housing challenges described. Homes England will continue working closely with the local authority to explore any available opportunities to increase affordable housing delivery. I have asked my officials to engage with Homes England and officers at the local authority to further understand the challenges and opportunities for housing provision to meet local housing need in North Devon.

Finally, as you also rightly highlight, we have committed to improving the planning system, which we are delivering through a new digital system that provides more certainty and better outcomes for the environment, growth and quality of design. We have heard many views on the proposed planning reforms, and with a new Secretary of State, we are reviewing the best way forward on the reforms and will make an announcement shortly.

Thank you very much for your invitation to meet. My Private Office has confirmed that I would be happy to meet you to discuss this issue. Thank you again for your letters. I hope you find this information helpful.



RT HON CHRISTOPHER PINCHER MP