

Parish Councils within  
Northumberland Coast AONB  
c/o Peal House  
The Wynding  
Beadnell  
Northumberland  
NE67 5BU

The Rt Hon Rishi Sunak, MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

August 6th, 2021

Dear Mr Sunak,

We write ahead of the anticipated change to taxation rules in the autumn related to Short Term Furnished Holiday Accommodation, 'Furnished Holiday Lets' (FHL). We accept that FHLs can benefit an area, but the current tax benefits distort everything including the availability of accommodation for much needed employees.

There has been widespread speculation that you will close the loophole that currently allows FHL that are "available" for letting for 140 or more days a year to be valued for non-domestic rates. This move will be widely welcomed in areas such as ours in North Northumberland, where the proportion of homes classified as FHL and second homes is running at record levels – and continuing to increase.

The loss of income to the local authority, community and especially Parish Councils is highly damaging. We have seen the number of FHL holiday homes in, for example, Bamburgh, Beadnell and Seahouses (North Sunderland) registered for business rates rise by 50% since 2015. FHL Businesses now account for 22% of all homes across the three parishes, peaking at 31% in Beadnell. The loss of Council Tax income is compounded by the fact that two-thirds of the near-600 properties registered for business rates have then successfully applied for small business rate relief, meaning these homes contribute little or, in most cases, nothing to council income. We argue this is a scandalous abuse of the present generous tax regime for second home and FHL owners, which will encourage further growth in the FHL market without more stringent regulation.

Furthermore, the advantageous tax position for FHL and second homes is leading to house price inflation that puts home ownership beyond most people employed in the local economy. It has also precipitated a collapse in the private rented sector as landlords seek FHL status for their properties with the higher income and tax breaks that come with it. We know of three local families in recent weeks, who have been served notice to quit their private rented accommodation with the expectation that the premises will resurface soon as FHL. A consequence of this lack of both rented accommodation, and affordable accommodation to buy, is that young families are unable to settle in the area and fill the many jobs currently vacant in the local service industries. All for the want of somewhere affordable to live.

Accordingly, we ask that you consider further changes to the taxation regime beyond the signposted change to the “available” loophole in order to protect communities like ours and stop them being “hollowed out” and left with neither a young population nor a sustainable year-round economy. Residents speak of a negative effect on their quality of life and wellbeing, the disruption and stress of continuous “visitor use”, damage to social cohesion, and a loss of sense of community. The plight of communities such as ours is replicated in many of our national parks and other coastal beauty spots across England, some of which will have made similar representation to you directly or via their constituency MPs.

The further tax changes we believe you should consider include:

- 1) End eligibility for non-domestic rates tax relief for holiday home businesses;
- 2) Following the example in Wales, allow local authorities to set Council Tax levels for second homes and FHL in certain wards at up to 100% above the prevailing rate;
- 3) End the practice of classifying holiday let income as “relevant earnings” for pension contributions;
- 4) Prevent all non-capital expenses on FHL from being set against income;

As part of further reform to the sector, we believe that the FHL market should be subject to registration and regulation similar to the rest of the tourist accommodation industry. This would ensure all FHL comply with structural and safety requirements, giving confidence to visitors and identifying all locations where FHL are in operation.

We recognise the changes we are asking for are extensive but believe they are needed both for a fair and equitable taxation regime for local authorities and homeowners alike, as well as ensuring the viability of communities in some of the most beautiful parts of England – including your own constituency – where residents currently find their way of life under serious threat from an unregulated FHL market, encouraged by some of the most generous tax breaks to be found anywhere in our system.

We look forward to seeing the changes you propose in the coming months.

Yours sincerely

Jennifer Hall, on behalf of

Alnmouth Parish Council, Bamburgh Parish Council, Beadnell Parish Council, Belford Parish Council, Craster Parish Council, Embleton Parish Council, Holy Island Parish Council, Kyloe Parish Council, Lesbury Parish Council, Longhoughton Parish Council, Newton by the Sea Parish Council, North Sunderland and Seahouses Parish Council and Warkworth Parish Council.