

# OpenVoiceNews U.K.

Transparent. Unbiased. Yours.

## Holiday Let Owners Exploit Legal Loophole to Avoid Double Council Tax Costing Millions in Revenue

June 23, 2025

– Categories: Real Estate



Holiday let owners across the UK are increasingly turning to a legal loophole to avoid newly introduced double council tax charges, by reclassifying their second homes as businesses. This strategic move enables them to qualify for business rates and, in many cases, claim full relief potentially costing the government hundreds of millions of pounds in lost revenue.

Recent changes have given local councils the power to apply a 100% premium on council tax for properties that are not used as a main residence. In response, property owners have rushed to register their holiday lets for business rates, many of which are eligible for Small Business Rates Relief of up to 100%. For example, in high-demand locations like Cornwall, where a Band D property now faces an annual tax of nearly £5,000, the incentive to switch is substantial.

Data from Hamptons reveals a sharp rise in the number of holiday lets classified under business rates jumping from 63,000 in 2020 to 78,000 by March 2023 in England alone. Estate agents and property consultants have noted a marked increase in owners seeking to reclassify their properties, particularly in regions where councils have adopted the second homes premium.

According to estimates by Colliers, approximately 73,838 holiday lets in England and Wales are now listed under business rates and eligible for full relief. This is forecast to cost local authorities and the government around £334 million in lost council tax revenue in the current financial year, with the figure expected to grow as more owners pursue the tax-saving strategy.

While the loophole remains legally permissible, it has raised serious concerns among housing campaigners, local authorities, and financial experts. Many argue that the system is being used in a way that undermines the spirit of the policy and deprives communities of essential funding for services.

With the Valuation Office Agency struggling to keep up with application volumes, some taking up to six months to process pressure is mounting on the government to review the current framework. Without reform, the unintended consequences of the double council tax initiative could continue to erode local revenue and widen the gap in housing affordability across many UK regions.