

## **Explanatory Memorandum to the Council Tax (Chargeable Dwellings and Liability for Owners) (Amendment) (Wales) Regulations 2026.**

This Explanatory Memorandum has been prepared by the Council Tax Policy and Reform Division of the Welsh Government and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

### **Cabinet Secretary's Declaration**

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Council Tax (Chargeable Dwellings and Liability for Owners) (Amendment) (Wales) Regulations 2026. I am satisfied that the benefits justify the likely costs.

**Mark Drakeford MS**  
**Cabinet Secretary for Finance and Welsh Language**  
**24 March 2026**

## **PART 1**

### **1. Description**

- 1.1. The Council Tax (Chargeable Dwellings and Liability for Owners) (Amendment) (Wales) Regulations 2026 (“the 2026 Regulations”) amend the Council Tax (Chargeable Dwellings) Order 1992 (“the 1992 Order”) so that HMO properties are aggregated and treated as a single dwelling for council tax purposes. HMO properties are Houses in Multiple Occupation.
- 1.2. The 2026 Regulations also amend the Council Tax (Liability for Owners) (Wales) Regulations 1992 (“the 1992 Regulations”) to include new provisions to expand the prescribed class of HMO for which the owner is responsible for paying council tax.

### **2. Matters of special interest to the Legislation, Justice and Constitution Committee**

- 2.1. None.

### **3. Legislative background**

- 3.1. Section 1 of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority (county or county borough council) to levy and collect council tax. A council tax liability arises in respect of a “dwelling” as defined in section 3 of the 1992 Act.
- 3.2. The 1992 Order and the 1992 Regulations were made under powers contained in the 1992 Act. The Welsh Ministers are able to exercise those powers to make new regulations. While the 1992 Act does not expressly provide a power to amend, section 14 of the Interpretation Act 1978 allows the Welsh Ministers to amend the 1992 Order and the 1992 Regulations.
- 3.3. Section 3(5)(a) and (b) of the 1992 Act provides the Welsh Ministers with the power to prescribe, by order, that a single dwelling may be treated as multiple dwellings, or conversely, that multiple dwellings may be treated as one.
- 3.4. Section 8(1) of the 1992 Act provides the Welsh Ministers with the power to set out in regulations, classes of dwellings where it is the owner, and not the occupier, who is liable for council tax.
- 3.5. Section 39 of the Legislation (Wales) Act 2019 provides that where Welsh Ministers have a power to make subordinate legislation in the form of regulations, rules or an order made by statutory instrument, they may exercise the power or duty by making the subordinate legislation in any other of those forms by statutory instrument. In relation to the 2026 Regulations, the power to make an order under section 3(5) of the 1992 Act is exercised in the form of regulations.

- 3.6. The Welsh Ministers also have the power to make different provisions for Wales by virtue of section 113(1) of the 1992 Act, and to make consequential amendments to the 1992 Order and 1992 Regulations, by virtue of section 113(2) of the 1992 Act.
- 3.7. The relevant functions of the Secretary of State in the 1992 Act were transferred, in relation to Wales, to the National Assembly for Wales by virtue of article 2(1) of, and Schedule 1 to, the National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672). They were subsequently transferred to the Welsh Ministers by virtue of section 162 of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006.
- 3.8. The Welsh Ministers also rely upon the power in section 255(1)(a) of the Renting Homes (Wales) Act 2016 to make provision in the 1992 Regulations in relation to certain types of tenancies in Wales.
- 3.9. The 2026 Regulations will follow the Senedd Annulment procedure (section 113(3) of the 1992 Act and section 256(3) and (4) of the Renting Homes (Wales) Act 2016).

#### **4. Purpose and intended effect**

- 4.1. For council tax purposes, a HMO is a property rented by at least three individuals who are not part of the same household (e.g., a family unit) but share facilities such as bathrooms and kitchens.
- 4.2. The Valuation Office Agency (“VOA”) is responsible for ensuring that each domestic property is correctly assessed and placed into the appropriate council tax band. The VOA has powers to aggregate multiple units into a single band under certain conditions.
- 4.3. For the purposes of council tax, a dwelling is classed as a HMO if:
  - it was originally constructed, or subsequently adapted, for occupation by more than one household; or
  - each resident occupies only part of the dwelling and pays rent or a licence fee for that part.
- 4.4. The VOA determines whether aggregation is appropriate, but this process has become more complex over time due to changes in the nature of HMOs. These properties are now subject to local authority registration, and landlords are required to meet minimum standards and are encouraged to improve facilities. Occupants’ expectations have also changed over time, with a general demand for higher-quality accommodation and communal facilities than were typically provided when council tax was introduced in 1993.
- 4.5. The 2026 Regulations ensure that HMOs continue to be valued as a single property for council tax banding where appropriate. This creates consistency across the sector and provides certainty for local authorities, owners, landlords,

and occupants. This reduces administrative burdens by keeping liability with the owner and aligns treatment in Wales with England.

- 4.6. The changes apply to both licensed and unlicensed HMOs and will not operate retrospectively. Where HMOs have previously been assessed without aggregation by the VOA, owners, landlords, or occupants may submit a proposal to the VOA to amend the valuation list. If the VOA determines that aggregation is appropriate, the property will be treated as a single dwelling from the date the proposal was made.
- 4.7. The 2026 Regulations also align the definition of a refuge with a more modern definition contained in the Council Tax (Discounts, Disregards and Exemptions) (Wales) Regulations 2026 (“the 2026 Discounts Regulations”).
- 4.8. The 2026 Regulations ensure HMOs and refuges have one council tax band, receive a single bill, and that liability rests with the owner rather than the occupier.
- 4.9. The 2026 Regulations adopt the same definition of HMOs as that set out in section 254 of the Housing Act 2004 (“2004 Act”). This definition is well understood and adopting this definition provides a consistent definition across legislation for council tax, planning and housing.
- 4.10. However, the definition of HMOs in the 2026 Regulations excludes converted blocks of flats defined in section 257 of the 2004 Act. These flats will continue to each have their own council tax band.
- 4.11. The definition of a refuge set out in section 259(2)(b) of the 2004 Act is disregarded in favour of the broader definition contained in the 2026 Discount Regulations.
- 4.12. HMOs which are listed in Schedule 14 to the 2004 Act and include buildings
  - controlled or managed by a local council, private registered provider of social housing (including profit-making registered providers), cooperative society (that meets certain conditions) or other specified public sector bodies
  - occupied by students
  - occupied by religious communities
  - occupied by owners.
- 4.13. The 2026 Regulations amend the definition of “tenant” and related defined terms in the 1992 Regulations to take into account contracts which apply in relation to Wales in consequence of the Renting Homes (Wales) Act 2016.
- 4.14. The 1992 Regulations are also amended to align the meaning of “hostel” with that given by regulation 17(2) of the 2026 Discounts Regulations.
- 4.15. The 2026 Regulations also amend the 1992 Order and the 1992 Regulations to clarify the territorial application of certain provisions within those instruments.

## 5. Consultation

- 5.1. The Welsh Government carried out a [public consultation](#) from 4 September to 26 November 2024, on draft regulations and the policy intent to ensure HMOs continue to be banded as a single property with one council tax band, and ensure the HMO owner remains liable for council tax. The consultation received 103 responses, reflecting a range of views and there was support for the proposals from key stakeholders.
- 5.2. A [summary of responses report](#) was published on 6 August 2025.

## **PART 2 – REGULATORY IMPACT ASSESSMENT**

### **6. Options**

6.1. This Regulatory Impact Assessment (“RIA”) presents two options:

#### **Option 1 – Do nothing**

Retain the 1992 Order and the 1992 Regulations without further amendment.

#### **Option 2 – Make the Council Tax (Chargeable Dwellings and Liability for Owners) (Amendment) (Wales) Regulations 2026**

- Legislate for HMOs in Wales to safeguard aggregation and assessment as a single dwelling for council tax banding purposes.
- Expand the prescribed class of HMOs for which the owner, rather than the occupant, is liable for council tax to include refuges.

### **Costs and Benefits**

6.2. Costs and benefits for each option have been identified. However, there is limited data held on HMO properties, owners, landlords and occupants and their circumstances. As such it is not possible to determine a monetary value for the costs and benefits identified.

#### **Option 1 Do nothing**

6.3. Retain the 1992 Order and the 1992 Regulations without further amendment.

#### **Costs**

6.4. Increasing diversification in the HMO sector will likely lead to more disaggregation of HMO properties into single units paying council tax separately, if this legislation were not prepared. This could lead to higher administration costs for local authorities in issuing multiple council tax bills, the Valuation Office Agency in terms of increased valuation work, and separate council tax bills for individual council taxpayers. No additional costs are identified for the Welsh Government or landlords.

#### **Benefits**

6.5. In a small number of cases, some occupants currently entitled to a council tax exemption, discount or reduction will continue to receive it under Option 1 where they are individually liable to pay council tax. However, added together, multiple council taxpayers of units within a HMO property would likely pay more council tax collectively than if the HMO property were aggregated.

#### **Option 2 Make the Council Tax (Chargeable Dwellings and Liability for Owners) (Amendment) (Wales) Regulations 2026**

## Costs

- 6.6. The 2026 Regulations will require HMO properties in Wales to be aggregated and treated as a single dwelling for council tax banding. They will also expand the prescribed class of HMOs for which the owner is liable for council tax to include refuges.
- 6.7. This change requires legislation but no transitional or quantifiable additional costs to the Welsh Government, local authorities, or HMO occupants have been identified

### The Valuation Office Agency

- 6.8. The instrument provides that HMO properties in Wales are aggregated and treated as a single dwelling for council tax purposes, preserving a historic policy position. It will not apply retrospectively to properties that have been disaggregated. Where HMOs have not been aggregated before commencement, owners, landlords, or occupants may submit a proposal to the VOA to amend the valuation list.
- 6.9. The number of proposals expected to be submitted to the VOA cannot be determined. In England, similar [regulations](#) introduced in 2023 required non-aggregated HMOs to be aligned with the new legislation promptly. The VOA, working with councils, proactively identified licensed HMOs and re-banded affected properties. Approximately 3,900 HMOs were aggregated, representing 3% of the estimated 126,663 licensed HMOs in England (2022–23).
- 6.10. The Welsh Government intends to adopt a proportionate operational approach to the vastly smaller numbers of disaggregated HMOs in Wales. Following commencement, owners, landlords, or occupants will be able to submit proposals to the VOA to alter the valuation list at any time. This approach reflects the Government's view that proposals should be made at a time appropriate to individual circumstances.
- 6.11. Certain properties currently defined as HMOs for licensing purposes will not be appropriate for aggregation under council tax legislation. For example, converted blocks of flats defined in section 257 of the Housing Act 2004 will continue to be valued individually, with each flat retaining its own council tax band.
- 6.12. There are approximately [8,000](#) licenced HMOs in Wales. Using English data as a proxy, it is estimated that around 240 properties could be affected. It is unlikely that all non-aggregated HMOs will submit proposals in the first year of implementation. Proposals are expected to be submitted over several years, and some owners may choose not to submit at all. The number of unlicensed HMOs that may submit proposals cannot be quantified.

- 6.13. Reassigning a limited number of HMOs is not expected to generate significant additional costs to the VOA. The VOA is expected to manage these within its Service Level Agreement with the Welsh Government as part of routine tax system maintenance. Internal VOA resource allocation may result in minor opportunity costs, as time dedicated to reassignment will be diverted from other activities. However, given the very small proportion of properties affected (approximately 240 out of a council tax base of 1.5 million), the overall impact is considered minimal.

#### HMO owners and landlords

- 6.14. The majority of HMOs in Wales are aggregated for valuation purposes. At present, for the small number of properties not aggregated in recent years, the HMO owner or landlord is liable for council tax only if any unit within the property is unoccupied. Under this legislation, the owner or landlord will be liable for council tax for the property. It is anticipated that owners and landlords will pass this cost proportionally to occupants through rent, in a manner similar to utility costs, and for the majority of HMOs that are aggregated already in Wales.
- 6.15. However, this change is not expected to negatively impact occupants, as they would previously have been liable for both rent and council tax separately. The precise costs to individual owners or landlords cannot be quantified, as HMO properties vary in size and location. It is also not possible to determine whether rents will increase beyond the cost of council tax at future rent reviews. Rent levels will remain at the discretion of individual owners and landlords, based on their circumstances.

#### **Benefits**

- 6.16. The instrument will ensure that HMOs in Wales are aggregated and treated as a single dwelling for council tax banding purposes, as is the historic case for most HMOs. This reduces administrative costs for local authorities, as a single council tax bill will be calculated and issued to the HMO owner or landlord rather than to individual occupants, many of whom may reside in the property only for short periods.
- 6.17. By establishing a single council tax band and bill for each HMO, with liability placed on the owner or landlord, the instrument will restore consistency in council tax banding and simplify financial planning and budgeting for HMO owners and landlords in Wales.
- 6.18. For the small number of HMOs that have not been aggregated in recent years, occupiers face higher council tax bills compared to those in shared properties banded as a single dwelling. In most cases, assessment of the property as a whole results in a lower overall liability than the cumulative charges for individual units. Consequently, owners or landlords will generally be liable for less council tax than occupants were previously paying in total.

Anecdotal evidence<sup>1</sup> from England suggests that HMO occupants currently paying council tax on individual rooms may experience savings when properties are aggregated and liability is transferred to the owner or landlord.

- 6.19. HMO accommodation is frequently occupied by vulnerable and disadvantaged groups, including those on low incomes. The legislation will ease financial management for these groups, as occupants will no longer receive individual council tax bills.
- 6.20. Under the legislation, HMO owners or landlords will assume liability for council tax for the small number of disaggregated properties. While occupants may see an increase in rent to cover this cost, it is expected that such charges will be lower than the individual council tax bills they previously faced. This change will reduce financial pressure by consolidating rent and council tax into a single payment arrangement.
- 6.21. The instrument adopts the same definition of HMOs used by local authorities in Wales for licensing purposes. This provides consistency across council tax, planning, and housing legislation.
- 6.22. The instrument will align the treatment of HMO properties for council tax valuation in Wales with that in England, ensuring parity across jurisdictions.
- 6.23. The Welsh Government has committed to reviewing council tax to establish a fairer and more progressive system and this measure contributes to that wider policy objective.

### **Option selection**

- 6.24. Option 2 offers clear advantages and preserves a longstanding policy position of valuing properties as whole, prior to more recent diversification in the HMO sector that led to a small amount of disaggregation. It reduces administrative burdens for HMO owners, landlords, and local authorities. It also prevents unfairly high council tax charges for occupants of individual units of a property, especially those on lower incomes. These benefits outweigh those of Option 1. Option 2 is therefore the Welsh Government's preferred approach.

## **7. Duties**

### **7.1. Well-being of Future Generations (Wales) Act 2015**

The instrument provides that HMOs should be valued as a single property for the purposes of council tax and receive one council tax bill, and the owner will be liable for the bill rather than the HMO occupants. This policy will contribute towards the wellbeing objectives of a prosperous Wales and a more equal Wales.

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<sup>1</sup>National Landlord Association Article: [Landlords And Renters To Save On Council Tax Bills Following NRLA Campaign](#)

## 7.2. **United Nations Convention on the Rights of the Child**

No particular impact on the rights of children have been identified.

## 7.3. **Equalities**

No specific impacts, positive or negative, on persons who share a protected characteristic (as determined by the Equality Act 2010) have been identified.

## 7.4. **European Convention on Human Rights (“ECHR”)**

The ECHR has been considered with regard to: -

- Article 8(1) - respect for private and family life and the home.
- Article 1 of Protocol 1 - protection of property
- Article 14 - prohibition of discrimination

There is not expected to be a negative impact on these rights as a result of this instrument.

## 7.5. **Welsh Language**

No effect on the opportunities to use the Welsh language or the equal treatment of the language has been identified in connection with the provisions of this instrument.

## 7.6. **Voluntary sector**

No negative impacts on the voluntary sector have been identified.

## 7.7. **Justice**

No impacts were identified following the completion of a Justice Impact Assessment, as a result of the making of this instrument.

## 8. **Competition assessment**

The competition filter test has been undertaken and has shown this instrument will have no direct impact on products or services that would affect market competition.

## 9. **Post-implementation review**

The Welsh Government will work with the VOA and local authorities to monitor the impact of the legislation to evaluate whether the legislative change has had the intended policy effect.