



REVIEW OF COUNCIL TAX DISCOUNTS

1. INTRODUCTION

- 1.1 The Government has recently introduced new legislation to give Councils greater flexibilities over the setting of some council tax discounts. (Note: The Council is unable to change the 25% single person discount, which applies to about 30% of properties in the District).

2. BACKGROUND

- 2.1 A Task & Finish Group was set up in April 2012 to recommend a Local Council Tax Reduction Scheme and to review Council Tax Discounts having regard to the increased discretions arising from new legislation.
- 2.2 The Task & Finish Group has worked closely with the Portfolio Holder for Finance & Efficiency.
- 2.3 The existing discretions and the increased discount flexibilities available from April 2013, together with the recommendations of the Task & Finish Group are shown below.

3. DISCOUNT APPLICABLE FOR FURNISHED/UNOCCUPIED DWELLINGS (COMMONLY KNOWN AS 'SECOND HOMES')

- 3.1 Billing authorities currently have the discretion to allow a discount of between 10-50%.
- 3.2 Since this discretionary power was first introduced the Council has allowed the minimum discount of 10%.
- 3.3 The new legislation extends the discretionary power to allow billing authorities to levy up to a full council tax.
- 3.4 Members may recall that some time ago the Council made representations to Government that the council tax discount for second homes should be removed. There are currently approximately 1600 such properties in the District.
- 3.5 The Task & Finish Group is of the view that 'second homes' should not receive any council tax discount and that the Council should exercise the increased flexibility now available and charge the full council tax.
- 3.6 In addition, the Council allows a discount of 30%, where the occupation of a dwelling is restricted by planning condition, preventing occupancy for a continuous period of at least 28 days in the relevant year. This only applies to a small number of privately owned holiday chalets where occupation is restricted between 1st November and 28th February. There are currently 140 such properties in the District. The 30% discount broadly reflects the fact that the chalets cannot be occupied for 4 months of the year and therefore there is no recommendation to change this.

- 3.7 The Task & Finish Group recommended the removal of the 10% discount for 'second homes' in the district and this recommendation was agreed by the Corporate Overview & Scrutiny Panel.

4. EXEMPT CLASS C - EMPTY AND UNFURNISHED (COMMONLY KNOWN AS 'VOIDS')

- 4.1 A full exemption is allowed (and therefore no council tax is currently payable) for the first 6 months from the date the dwelling becomes vacant and unfurnished.
- 4.2 After the 6 month period has passed, the property is treated as a long term empty dwelling and billing authorities have the discretion to allow a discount of between 0-50%.
- 4.3 Since the existing discretionary power for long term empty dwellings was first introduced, the Council has allowed a 0% discount i.e. a full council tax is payable after 6 months.
- 4.4 The new legislation abolishes the Class C exemption and replaces it with a discount which billing authorities have the discretion to set in the range of 0-100% and for any period of time up to 6 months.
- 4.5 This further discretionary power *only* applies to the period subject to the existing Class C exemption i.e. the first 6 months from the date a dwelling becomes unoccupied and substantially unfurnished. Full council tax will remain payable after 6 months. There is currently approximately 700 such properties in the District.
- 4.6 The Task & Finish Group is of the view that one month is normally sufficient time for changes of occupation to take place or minor works to be undertaken and that no council tax should be payable for one month from the date the dwelling becomes vacant and unfurnished. The group is keen to encourage prompt turnover of property and reduce 'void periods'. A free period for one month will avoid billing landlords for small amounts between lets.
- 4.7 The Task & Finish Group recommended that the 100% discount for 'void' properties for 6 months be changed to 100% for one month (and then no discount thereafter). This recommendation was agreed by the Corporate Overview and Scrutiny Panel.

5. EXEMPT CLASS A - EMPTY DWELLING - UNOCCUPIED AND UNFURNISHED - WHERE MAJOR REPAIR WORKS OR STRUCTURAL ALTERATIONS ARE REQUIRED, UNDER WAY OR RECENTLY COMPLETED (COMMONLY KNOWN AS 'UNINHABITABLES')

- 5.1 A full exemption is allowed for up to 12 months from the date the dwelling becomes vacant and where one of the other conditions is met.
- 5.2 After the 12 month period has passed, the property is treated as a long term empty dwelling and billing authorities have the discretion to allow a discount of between 0-50%.
- 5.3 Since this discretionary power for long term empty dwellings was first introduced, the Council has allowed a 0% discount i.e. a full council tax is payable after 12 months.

- 5.4 The new legislation abolishing the Class A exemption and replace it with a discount which billing authorities have the discretion to set in the range of 0-100%. There are currently approximately 170 such properties in the District.
- 5.5 This further discretionary power *only* applies to the period subject to the existing Class A exemption i.e. 12 months from the date the conditions for awarding an exemption Class A are met.
- 5.6 After the 12 month period has passed, the property is treated as a long term empty dwelling for which, under the existing regulations; the full council tax will apply.
- 5.7 The Task & Finish Group is of the view that structural works should be undertaken in a timely manner to bring empty dwellings back into use. Therefore, the increased discretion provided by Government should be exercised to provide some incentive for the prompt completion of works. The Government recognises that there is a difference between properties which are vacant and properties which are vacant requiring/undergoing major works. The Task & Finish group is of the view that some discount is still appropriate for properties falling within this class.
- 5.8 The Task & Finish Group recommended that the 100% discount for 'uninhabitable properties' be changed to a 50% discount for 12 months. This recommendation was agreed by the Corporate Overview and Scrutiny Panel.

6. EMPTY HOMES PREMIUM

- 6.1 The new legislation allows billing authorities to levy an empty homes premium on the council tax payable in respect of dwellings that have been left vacant and unfurnished for 2 years or more. There are currently approximately 350 such properties in the District.
- 6.2 The Government has laid Regulations which will exclude some dwellings from the empty homes premium.
- 6.3 The liability would be **up to 150%** of the full council tax charge i.e. a premium of 50% where the billing authority has already resolved to levy a full charge in respect of long-term empty dwellings.
- 6.4 The Task & Finish Group is of the view that all possible action should be taken to bring long term empty homes back into use and that the maximum flexibility provided by Government should be exercised in full. This approach will support other Council initiatives for bringing long-term empty homes back into use.
- 6.5 The Task & Finish Group recommended that the Council levies a 50% empty homes premium on those properties that have been empty for 2 years or more. This recommendation was agreed by the Corporate Overview and Scrutiny Panel.

7. FINANCIAL IMPLICATIONS

- 7.1 The changes arising from this report have to be accounted for by adjusting the council tax base and the financial implications therefore impact on the major preceptors, the district and the local councils.
- 7.2 Removing the 10% discount on Furnished/Unoccupied homes may yield approximately £235k council tax per annum.

- 7.3 Changing the tax base to reduce the void free period for unoccupied and substantially unfurnished dwellings from 6 months to 1 month may yield approximately £780k council tax per annum.
- 7.4 Charging 50% on property undergoing major repair work etc. may yield approximately £150k council tax per annum.
- 7.5 Charging a premium on long term empty homes may yield no additional council tax. It is hoped that this initiative will have the desired effect of bring empty homes back into use more quickly.
- 7.6 The financial implications for the District Council are contained within the separate budget report on the agenda.

8. PORTFOLIO HOLDER COMMENTS

- 8.1 See overall comments in report on Council Tax Reduction Scheme

9. CONCLUSIONS

- 9.1 The necessary formal recommendations required to give effect to the recommended changes are listed below:

10. RECOMMENDATIONS

10.1 DISCOUNT APPLICABLE FOR A FURNISHED/UNOCCUPIED DWELLING

That it be a recommendation to Council that a determination be made in accordance with Sections 11 and 11A of the Local Government Finance Act 1992 (as amended) and The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 (SI 2003 No. 3011) and The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (SI 2012 No. 2964) in relation to chargeable dwellings in the New Forest District Council area to the effect that:-

- (i) From 1 April 2013, in the case of a chargeable dwelling falling within prescribed Class A (a dwelling which is unoccupied and furnished and the occupation of which is restricted by a planning condition preventing occupation for a continuous period of at least 28 days in the relevant year) the allowed discount under section 11A(4) shall remain at 30%; and
- (ii) From 1 April 2013, in the case of a chargeable dwelling falling within prescribed Class B (a dwelling which is unoccupied and furnished and the occupation of which is not restricted by a planning condition preventing occupancy for a continuous period of at least 28 days in the relevant year) the discount allowed under section 11A (4) shall be 0%.

10.2 DISCOUNT APPLICABLE FOR AN UNOCCUPIED AND SUBSTANTIALLY UNFURNISHED DWELLING

That it be a recommendation to Council that a determination be made in accordance with Sections 11, 11A and 11B of the Local Government Finance Act

1992 (as amended) and The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 (SI 2003 No. 3011) and The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (SI 2012 No. 2964) in relation to chargeable dwellings in the New Forest District Council area to the effect that:-

- (i) From 1 April 2013, in the case of a chargeable dwelling falling within prescribed Class C, (a dwelling which is unoccupied and substantially unfurnished) the discount allowed under section 11A(4A) shall be:-
 - (a) 100% for up to one month from the date the dwelling first became unoccupied and substantially unfurnished; and
 - (b) 0% after one month and up to 24 months, from the date the dwelling first became unoccupied and substantially unfurnished; and
 - (c) 0% after 24 months from the date the dwelling first became unoccupied and substantially unfurnished, *except* where the provisions detailed in the resolution made under 10.4 (Empty Homes Premium) apply.

10.3 **DISCOUNT APPLICABLE FOR AN UNOCCUPIED AND UNFURNISHED DWELLING WHERE MAJOR REPAIR WORKS OR STRUCTURAL ALTERATIONS ARE REQUIRED, UNDER WAY OR RECENTLY COMPLETED**

That it be a recommendation to Council that a determination be made in accordance with Sections 11 and 11A of the Local Government Finance Act 1992 (as amended) and The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 (SI 2003 No. 3011) and The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (SI 2012 No. 2964) in relation to chargeable dwellings in the New Forest District Council area to the effect that:-

- (i) From 1 April 2013, in the case of a chargeable dwelling falling within prescribed Class D (a dwelling which is unoccupied and unfurnished and-
 - (a) requires or is undergoing major repair work to render it habitable, or
 - (b) is undergoing structural alteration; or
 - (c) has undergoing major repair work to render it habitable, if less than six months have elapsed since the date on which the alteration was substantially completed and the dwelling has continuously remained vacant since that date);

The discount allowed under Section 11A (4A) shall be 50%.

10.4 **EMPTY HOMES PREMIUM**

That it be a recommendation to Council that a determination be made in accordance with Section 11B of the Local Government Finance Act 1992 (as amended) and The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (SI 2012 No. 2964) in relation to chargeable dwellings in the New Forest District Council area to the effect that :-

- (i) From 1 April 2013, the amount of council tax payable in respect of a qualifying dwelling (a dwelling which has been unoccupied and substantially unfurnished for a continuous period of at least 24 months *except* where the dwelling falls within the provisions of Class E or Class F of The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012; shall be increased by 50%.

Background Information:

Minutes of Task & Finish Group
Minutes of Corporate Overview and Scrutiny Panel
Local Government Finance Act 2012 & Regulations

Further Information:

Members of Task & Finish Group: Cllrs John G. Ward (Chairman), Chris Harrison, Roxanne Bellows, Jeremy Heron, Christine Ward, Goff Beck

Portfolio Holder: Cllr Colin Wise

Officers: Bob Jackson, Glynne Miles
Andrew Taylor, Martin Cole, Kevin Green