

## **COUNCIL TAX DISCOUNTS AND PREMIUM - RESOLUTIONS**

### **COUNCIL – 19 FEBRUARY 2013**

Report of the: Chief Executive Designate

Status: For Decision

Also considered by: Cabinet – 7 February 2013

Key Decision: No

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**Executive Summary:** The purpose of the report is to formally determine the level of council tax discounts (if any) to be applied from 1 April 2013 to prescribed classes of dwellings and to formally determine the percentage level of additional council tax payable in respect of long-term empty dwellings.

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**This report supports the Key Aim of** effective management of Council resources

**Portfolio Holder** Cllr. Ramsay

**Head of Service** Group Manager - Financial Services – Adrian Rowbotham

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#### **Recommendations to Council:**

- (a) That from 1 April 2013, the council tax discount applied to second homes (prescribed Classes A & B) in accordance with Section 11A of the Local Government Finance Act 1992, is set at 0%.
  - (b) That from 1 April 2013, the council tax discount applied to unoccupied and substantially unfurnished dwellings (prescribed Class C) in accordance with Section 11A of the Local Government Finance Act 1992, is set at 100% for a maximum period of three months and that following the expiry of the three month period; the discount is set at 0%.
  - (c) That from 1 April 2013, the council tax discount applied to vacant dwellings requiring or undergoing major repairs, undergoing structural alteration or which have undergone such repairs/alterations (prescribed Class D) in accordance with Section 11A of the Local Government Finance Act 1992, is set at 100% for a maximum period of twelve months.
  - (d) That from 1 April 2013, in accordance with Section 11B of the Local Government Finance Act 1992, no council tax discount shall be applied to dwellings that are unoccupied and substantially unfurnished for more than two years and that the council tax payable on such properties is increased from 100% to 150% (except for those properties which fall into prescribed Classes E & F).
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**Reason for recommendations:** Legislation has changed to allow Council's to amend discounts currently offered on certain classes of property.

The Local Council Tax Support Scheme approved by Council on 27 November 2012 included reducing the exemption on Class C empty properties from 6 months to 3 months which will help to fund the scheme.

The other changes proposed in this report should help to persuade property owners to bring those properties back into use earlier which will reduce the housing shortage. When this is not the outcome, a small amount of additional Council Tax income will be received.

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## **Introduction**

1 On 31 October 2011 the Department for Communities and Local Government issued a consultation paper entitled Technical Reforms of Council Tax. The consultation sought views on replacing certain council tax exemptions with locally determined discounts, allowing authorities to charge up to 100% council tax on second homes and allowing authorities to levy an 'empty homes premium' on dwellings that have been empty for two years or more.

The Local Government Finance Act 2012, which was given Royal Assent on 31 October 2012, set out the framework for the operation of the new discounts with details to be contained in subsequent regulations.

## **Background**

### **Discounts**

2 The Council Tax (Prescribed Classes of Dwellings)(England) Regulations 2003 set out three classes of dwellings:

- Class A - unoccupied, furnished dwellings where occupation is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days in the year
- Class B – unoccupied, furnished dwellings where no planning condition prevents occupation
- Class C – unoccupied and substantially unfurnished dwellings

3 The Council previously determined that a 10% discount should be applied in respect of Classes A and B and that no discount should be applicable in respect of Class C. The dwellings that fell into Class C at this point were homes that had been empty in excess of six months, since for a shorter period, such properties attracted an exemption from council tax.

4 Section 11 of the Local Government Act 2012 amended Section 11A of the Local Government Finance Act 1992 to give billing authorities the power to determine

the level of council tax discounts to be applied for classes of dwellings prescribed by the Secretary of State.

- 5 The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 amended the Council Tax (Exempt Dwellings) Order 1992, removing two classes of exemption (Classes A and C).

Class A exempted empty dwellings requiring or undergoing major repair work or undergoing structural alteration or having undergone such repairs/alterations for a maximum period of twelve months (uninhabitable exemption). Class C covered empty homes for a maximum period of six months.

- 6 The effect of the removal of the exemption for properties that have been empty for up to six months is that they now fall into Class C of the prescribed classes of dwellings. As such the Council is now able to determine the level of discount to be applied (if any) and the period for which it should apply.

- 7 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 added an additional class, Class D to the original regulations:

- Class D – unoccupied and substantially unfurnished dwellings requiring or undergoing major repair work or undergoing structural alteration or having undergone such repairs/alterations

- 8 Class D effectively replaced the now defunct 'uninhabitable' exemption and gave billing authorities the power to determine the level of discount to be applied (if any). Unlike Class C, there is no discretion to vary the period for which a discount can be given and the legislation prescribes a maximum period of twelve months for which the discount must be applied.

### **Determinations of discounts effective from 1 April 2013**

#### **Classes A & B**

- 9 Determinations of the level of discount to be applied for each of the prescribed classes of dwellings A to D must be set by the Council.
- 10 As stated in paragraph 3, the current level of discount for Classes A and B is set at 10%, this being the minimum discount permitted under the previous legislation. Whilst any reduction in discounts for these classes will impact on both 'true' second home owners and landlords of furnished lets, nevertheless officer recommendation is to set the level of discount from 1 April 2013 at 0%.

#### **Class C**

- 11 The Council wishes to encourage taxpayers to bring empty dwellings back into use at the earliest opportunity but recognises that a period of 100% discount is equitable to allow taxpayers the opportunity to either make the property ready for sale or for letting as appropriate. Officer recommendation is therefore to set the level of discount for this Class at 100% for a maximum period of three months and after the expiry of the three month period to reduce the discount to 0%.

## Class D

- 12 The Council recognises that some properties will require major repairs to render them habitable and that this cannot necessarily be completed within a three month timeframe. In addition, recent changes made by Government to planning rules, are aimed at making it easier for taxpayers to take steps to undertake major home improvements.
- 13 Reductions in either the discount available to such dwellings could result in fewer developers coming forward to renovate 'uninhabitable' properties or go against the intentions of Government in relaxing the planning rules. Officer recommendation is therefore to set the level of discount at 100% for a maximum period of twelve months. At the end of the twelve month period, the property will cease to fall under Class D and will come under Class C, attracting no further discount.

## **Council Tax Premium**

- 14 Section 12 of the Local Government Finance Act 2012 inserted Section 11B into the Local Government Finance Act 1992 to give billing authorities the power to set a higher amount of council tax for 'long-term' empty dwellings.
- 15 A dwelling is considered to be a 'long-term' empty dwelling if it has been unoccupied and substantially unfurnished for a continuous period of at least two years.
- 16 The Secretary of State reserved the right to prescribe classes of 'long-term' empty dwellings where authorities may not levy a premium. The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 added two prescribed classes of dwellings which cannot be charged a higher amount of council tax:
- Class E – dwellings that are empty whilst the taxpayer resides in accommodation provided by the Ministry of Defence as part of their employment
  - Class F - annexes in a property which are being used as part of the main property

## **Determination of percentage of additional council tax to be levied on 'long-term empty' dwellings from 1 April 2013**

- 17 The power to impose a maximum 50% premium on dwellings that have been empty in excess of two years is seen as an incentive to encourage taxpayers to bring these properties back into use as quickly as possible. Officer recommendation is therefore that no council tax discount shall be applied to dwellings that are unoccupied and substantially unfurnished for more than two years and that the council tax payable on such properties be increased from 100% to 150% (save for those properties which fall into prescribed Classes E & F).

## **Key Implications**

## Financial

- 18 The table below shows the number of cases and financial effect of the proposed changes.

Type of Discount	Cases (as at 01/12/12)	Additional Council Tax (based on 2011/12 full year data)	Sevenoaks DC share of (c) (12%)
(a)	(b)	(c)	(d)
	No.	£000	£000
Second Homes	272	43	5
Class C (3-6 months)	350	169	20
Premium if unoccupied for over 2 years	139	132	16
Total	761	344	41

- 19 The reduction in the exemption on Class C empty properties from 6 months to 3 months was included in the Council Tax Support scheme approved by Council on 27 November 2012. The Major Precepting Authorities share of this saving will be used towards the funding being passed on to this Council to help administer the new scheme.

## Community Impact and Outcomes

- 20 There are no community impacts arising from this report.

## Legal, Human Rights etc.

- 21 All legal implications are as set out in the body of the report.

## Resource (non-financial)

- 22 Additional work may be generated for the Revenues Service where taxpayers declare changes in circumstances in order to 'avoid' additional council tax.

## Equality Impacts

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Consideration of impacts under the Public Sector Equality Duty:

Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	There is no evidence to suggest that the recommendations of this report will disadvantage any equalities group.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		n/a

### Conclusions

- 24 The changes recommended in this report should help to make the Local Council Tax Support Scheme sustainable as well as encouraging owners of empty properties to return them to use.

### Risk Assessment Statement

- 25 Officers have obtained a thorough understanding of the new legislation that allows the Council to make the changes recommended in this report.
- 26 Taxpayers may react to these changes in a way that results in extra work for the Revenues Service.

**Appendices** none

**Background Papers:** none

**Contact Officer(s):** Adrian Rowbotham Ext 7153  
Sue Cressall Ext 7041

**Dr. Pav Ramewal**  
**Chief Executive Designate**